



Dave Yost • Auditor of State

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wellsville Local School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wellsville Local School District, Columbiana County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 20, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities decreased \$330,586 which represents a 4.71% decrease from net position at June 30, 2013.
- General revenues accounted for \$7,159,845 in revenue or 75.20% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,361,553 or 24.80% of total revenues of \$9,521,398.
- The District had \$9,851,984 in expenses related to governmental activities; only \$2,361,553 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 \$7,159,845 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$8,226,120 in revenues and other financing sources and \$8,118,217 in expenditures. During fiscal year 2014, the general fund's fund balance increased \$107,903 from a balance of \$584,364 to a balance of \$692,267.
- The permanent improvement fund had \$149,432 in revenues and \$356,408 in expenditures and other financing uses. During fiscal year 2014, the permanent improvement fund's fund balance decreased \$206,976 from \$603,275 to \$396,299.

Using the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented in the District's private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the resources cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-52 of this report.

The District as a Whole

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

The table below provides a summary of the District's net position for 2014 and 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Assets</u>		
Current and other assets	\$ 4,071,544	\$ 4,317,882
Capital assets, net	<u>5,800,936</u>	<u>6,146,811</u>
Total assets	<u>9,872,480</u>	<u>10,464,693</u>
<u>Deferred Outflows of Resources</u>	<u>31,353</u>	<u>36,240</u>
<u>Liabilities</u>		
Current liabilities	884,774	898,313
Long-term liabilities	<u>1,371,402</u>	<u>1,477,466</u>
Total liabilities	<u>2,256,176</u>	<u>2,375,779</u>
<u>Deferred Inflows of Resources</u>	<u>963,330</u>	<u>1,110,241</u>
<u>Net Position</u>		
Net investment in capital assets	4,962,396	5,186,941
Restricted	824,588	821,436
Unrestricted	<u>897,343</u>	<u>1,006,536</u>
Total net position	<u>\$ 6,684,327</u>	<u>\$ 7,014,913</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,684,327. At year-end, restricted net position was \$824,588.

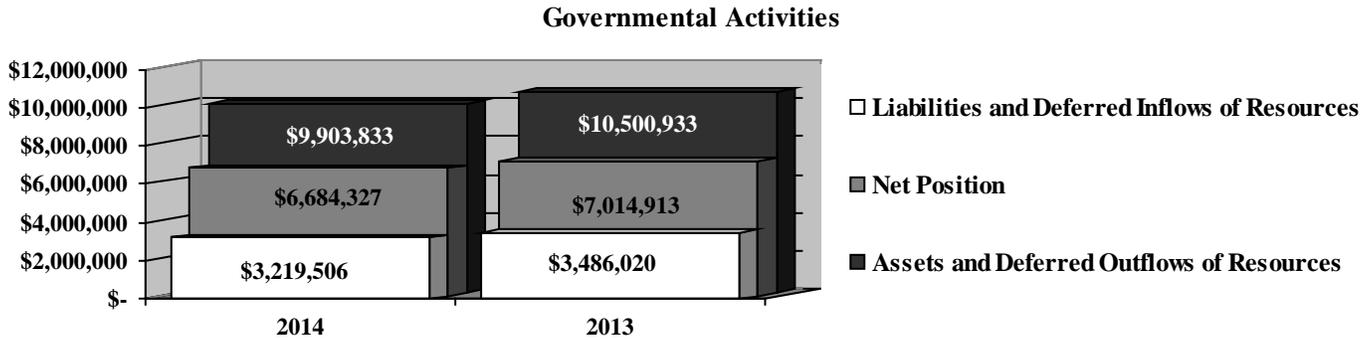
At year-end, capital assets represented 58.76% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2014 was \$4,962,396. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$824,588, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$897,343.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The graph below shows the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2014 and 2013.



Governmental Activities

Net position of the District's governmental activities decreased \$330,586. Total governmental expenses of \$9,851,398 were offset by program revenues of \$2,361,553 and general revenues of \$7,159,845. Program revenues supported 23.97% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 74.85% of total governmental revenue. Charges for services revenues decreased 10.95% due to lower tuition revenue offsetting regular instruction. Grants and entitlements revenue increased 9.08% due to an increase in State Foundation revenue. In total, the District's expenses increased 0.73% from expenses for fiscal year 2013.

The table below shows changes in net position for fiscal year 2014 compared to fiscal year 2013.

	Change in Net Position	
	Governmental Activities 2014	Governmental Activities 2013
Revenues		
Program revenues:		
Charges for services and sales	\$ 656,343	\$ 737,057
Operating grants and contributions	1,705,210	1,649,261
General revenues:		
Property taxes	1,095,766	1,071,988
Payments in lieu of taxes	2,286	-
Grants and entitlements	6,031,352	5,529,386
Investment earnings	7,082	10,628
Miscellaneous	23,359	13,159
Total revenues	<u>9,521,398</u>	<u>9,011,479</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Change in Net Position - (Continued)

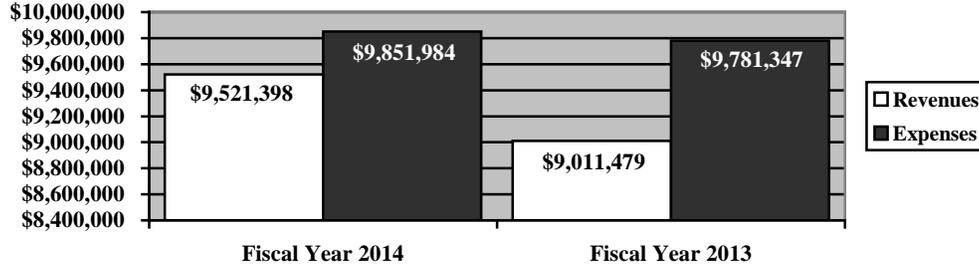
	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	4,562,358	4,703,124
Special	1,374,454	1,105,297
Vocational	179,428	180,020
Other	30,355	50,723
Support services:		
Pupil	458,519	348,544
Instructional staff	158,182	419,347
Board of education	17,430	15,327
Administration	727,041	784,642
Fiscal	320,143	250,231
Operations and maintenance	963,883	891,974
Pupil transportation	218,230	203,260
Central	66,714	64,419
Operation of non-instructional services:		
Food service operations	416,930	414,058
Other non-instructional services	5,902	4,805
Extracurricular activities	300,559	292,120
Interest and fiscal charges	51,856	53,456
Total expenses	<u>9,851,984</u>	<u>9,781,347</u>
Change in net position	(330,586)	(769,868)
Net position at beginning of year	<u>7,014,913</u>	<u>7,784,781</u>
Net position at end of year	<u>\$ 6,684,327</u>	<u>\$ 7,014,913</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.

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.

Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Regular	\$ 4,562,358	\$ 3,913,805	\$ 4,703,124	\$ 3,823,662
Special	1,374,454	330,228	1,105,297	347,947
Vocational	179,428	165,679	180,020	157,419
Other	30,355	30,355	50,723	50,723
Support services:				
Pupil	458,519	458,519	348,544	347,376
Instructional staff	158,182	43,499	419,347	224,165
Board of education	17,430	17,430	15,327	15,327
Administration	727,041	708,126	784,642	760,767
Fiscal	320,143	315,835	250,231	246,210
Operation and maintenance	963,883	963,883	891,974	889,005
Pupil transportation	218,230	218,230	203,260	203,260
Central	66,714	61,200	64,419	64,419
Operation of non-instructional services:				
Food service operations	416,930	959	414,058	(4,007)
Other non-instructional services	5,902	5,632	4,805	4,805
Extracurricular activities	300,559	205,195	292,120	210,495
Interest and fiscal charges	51,856	51,856	53,456	53,456
Total expenses	<u>\$ 9,851,984</u>	<u>\$ 7,490,431</u>	<u>\$ 9,781,347</u>	<u>\$ 7,395,029</u>

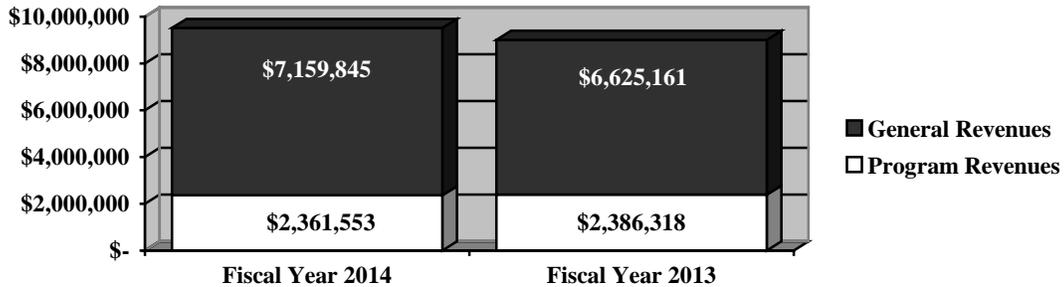
**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The dependence upon tax and other general revenues for governmental activities is apparent; 72.24% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.03%. 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 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,763,552, which is less than last year's total of \$1,930,015. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase (Decrease)
General	\$ 692,267	\$ 584,364	\$ 107,903
Permanent improvement	396,299	603,275	(206,976)
Nonmajor governmental	674,986	742,376	(67,390)
Total	<u>\$ 1,763,552</u>	<u>\$ 1,930,015</u>	<u>\$ (166,463)</u>

General Fund

The District's general fund balance increased \$107,903. Tuition revenue decreased 16.95 % in fiscal year 2014 due to less revenue from open enrollment. Intergovernmental revenue increased approximately \$571,000, or 9.54% due to greater revenue from the State Foundation Program.

In total, expenditures of the general fund increased 0.62% due to higher spending for instruction services.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

	2014 Amount	2013 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 836,794	\$ 820,224	\$ 16,570	2.02 %
Tuition	522,123	628,715	(106,592)	(16.95) %
Earnings on investments	7,082	10,628	(3,546)	(33.36) %
Intergovernmental	6,553,433	5,982,711	570,722	9.54 %
Other revenues	<u>27,601</u>	<u>21,471</u>	<u>6,130</u>	28.55 %
Total	<u>\$ 7,947,033</u>	<u>\$ 7,463,749</u>	<u>\$ 483,284</u>	6.48 %
<u>Expenditures</u>				
Instruction	\$ 5,212,765	\$ 5,149,027	\$ 63,738	1.24 %
Support services	2,705,523	2,728,258	(22,735)	(0.83) %
Other non-instructional services	5,291	-	5,291	100.00 %
Extracurricular activities	<u>194,638</u>	<u>190,776</u>	<u>3,862</u>	2.02 %
Total	<u>\$ 8,118,217</u>	<u>\$ 8,068,061</u>	<u>\$ 50,156</u>	0.62 %

Permanent Improvement Fund

The permanent improvement capital projects fund had \$149,432 in revenues and \$356,408 in expenditures and other financing uses. During fiscal year 2014, the permanent improvement fund's fund balance decreased \$206,976 from \$603,275 to a balance of \$396,299.

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues and other financing sources of \$7,544,726 were unchanged in the final budget. Actual revenues and other financing sources for fiscal year 2014 were \$8,185,074, which were \$640,348 greater than final budgeted revenues and other financing sources.

General fund original budgeted expenditures and other financing uses of \$8,810,162 were decreased to \$8,358,237 in the final budget. The actual budget basis expenditures and for fiscal year 2014 totaled \$8,196,123, which were \$162,114 less than the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$5,800,936 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in the governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The following table shows fiscal year 2014 balances compared to 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 312,056	\$ 312,056
Land improvements	393,902	440,228
Building and improvements	4,818,370	5,098,584
Furniture and equipment	135,215	123,884
Vehicles	141,393	172,059
Total	\$ 5,800,936	\$ 6,146,811

The overall decrease in capital assets of \$345,875 is due to depreciation expense of \$404,107 exceeding capital outlays of \$58,232. See Note 8 to the basic financial statements for additional information regarding the District's capital assets.

Debt Administration

At June 30, 2014, the District had \$895,731 in general obligation bonds and an energy conservation loan outstanding. Of this total, \$115,731 is due within one year and \$780,000 is due in more than one year. The following table summarizes outstanding debt obligations at June 30, 2014 and June 30, 2013.

Outstanding Debt, at Year End

	Governmental Activities 2014	Governmental Activities 2013
	2014	2013
Refunding bond issue	\$ 760,731	\$ 839,692
Energy conservation loan	135,000	160,000
Total	\$ 895,731	\$ 999,692

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

Current Financial Related Activities

The District is holding its own in the state of a declining economy and uncertainty in State funding. The District is located in a small rural community of approximately 3,800 in Eastern Ohio. It has a number of small- and medium-scale businesses, and the economy of the area is largely influenced by local agriculture.

Future finances are not without challenges as the community changes and State funding is revised.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,477,321
Receivables:	
Property taxes	1,254,358
Accounts	206
Intergovernmental	334,659
Materials and supplies inventory	5,000
Capital assets:	
Nondepreciable capital assets.	312,056
Depreciable capital assets, net	5,488,880
Capital assets, net.	5,800,936
Total assets	9,872,480
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding.	31,353
 Liabilities:	
Accounts payable	21,347
Accrued wages and benefits payable	692,925
Pension obligation payable	120,358
Intergovernmental payable	47,896
Accrued interest payable	2,248
Long-term liabilities:	
Due within one year	142,101
Due in more than one year.	1,229,301
Total liabilities	2,256,176
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	963,330
 Net position:	
Net investment in capital assets.	4,962,396
Restricted for:	
Capital projects	190,305
Classroom facilities maintenance.	262,678
Debt service.	218,148
Locally funded programs	1,101
State funded programs	239
Federally funded programs	101,355
Student activities	50,762
Unrestricted.	897,343
Total net position	\$ 6,684,327

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, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 4,562,358	\$ 473,538	\$ 175,015	\$ (3,913,805)
Special	1,374,454	48,790	995,436	(330,228)
Vocational.	179,428	-	13,749	(165,679)
Other.	30,355	-	-	(30,355)
Support services:				
Pupil	458,519	-	-	(458,519)
Instructional staff	158,182	-	114,683	(43,499)
Board of education.	17,430	-	-	(17,430)
Administration.	727,041	5,626	13,289	(708,126)
Fiscal.	320,143	-	4,308	(315,835)
Operations and maintenance.	963,883	-	-	(963,883)
Pupil transportation	218,230	-	-	(218,230)
Central	66,714	-	5,514	(61,200)
Operation of non-instructional services:				
Food service operations.	416,930	37,710	378,261	(959)
Other non-instructional services	5,902	-	270	(5,632)
Extracurricular activities	300,559	90,679	4,685	(205,195)
Interest and fiscal charges	51,856	-	-	(51,856)
Total governmental activities	<u>\$ 9,851,984</u>	<u>\$ 656,343</u>	<u>\$ 1,705,210</u>	<u>(7,490,431)</u>

General revenues:

Property taxes levied for:	
General purposes	849,107
Capital projects	126,232
Debt service.	104,124
Classroom facilities maintenance.	16,303
Payments in lieu of taxes.	2,286
Grants and entitlements not restricted	
to specific programs	6,031,352
Investment earnings	7,082
Miscellaneous	23,359
Total general revenues.	<u>7,159,845</u>
Change in net position.	(330,586)
Net position at beginning of year	<u>7,014,913</u>
Net position at end of year.	<u>\$ 6,684,327</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,393,058	\$ 390,147	\$ 694,116	\$ 2,477,321
Receivables:				
Property taxes	961,451	143,583	149,324	1,254,358
Accounts	206	-	-	206
Intergovernmental	125,637	-	209,022	334,659
Materials and supplies inventory	-	-	5,000	5,000
Total assets	<u>\$ 2,480,352</u>	<u>\$ 533,730</u>	<u>\$ 1,057,462</u>	<u>\$ 4,071,544</u>
Liabilities:				
Accounts payable	\$ 21,347	\$ -	\$ -	\$ 21,347
Accrued wages and benefits payable	594,937	-	97,988	692,925
Compensated absences payable	23,254	-	-	23,254
Intergovernmental payable	45,851	-	2,045	47,896
Pension obligation payable	106,017	-	14,341	120,358
Total liabilities	<u>791,406</u>	<u>-</u>	<u>114,374</u>	<u>905,780</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	737,385	109,639	116,306	963,330
Delinquent property tax revenue not available	183,857	27,792	27,076	238,725
Intergovernmental revenue not available	58,445	-	124,720	183,165
Miscellaneous revenue not available	16,992	-	-	16,992
Total deferred inflows of resources	<u>996,679</u>	<u>137,431</u>	<u>268,102</u>	<u>1,402,212</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	5,000	5,000
Restricted:				
Debt service	-	-	196,927	196,927
Capital improvements	-	-	162,513	162,513
Classroom facilities maintenance	-	-	259,071	259,071
Targeted academic assistance	-	-	14,096	14,096
Extracurricular activities	-	-	50,762	50,762
Other purposes	-	-	2,033	2,033
Committed:				
Capital improvements	-	396,299	-	396,299
Other purposes	11,000	-	-	11,000
Assigned:				
Student instruction	9,381	-	-	9,381
Student and staff support	33,293	-	-	33,293
Adult education	2,741	-	-	2,741
Extracurricular activities	50	-	-	50
Unassigned (deficit)	<u>635,802</u>	<u>-</u>	<u>(15,416)</u>	<u>620,386</u>
Total fund balances	<u>692,267</u>	<u>396,299</u>	<u>674,986</u>	<u>1,763,552</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,480,352</u>	<u>\$ 533,730</u>	<u>\$ 1,057,462</u>	<u>\$ 4,071,544</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	1,763,552
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,800,936
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.			
Property taxes receivable	\$	238,725	
Intergovernmental receivable		200,157	
Total		438,882	438,882
Unamortized premiums on bonds issued are not recognized in the funds.			(39,893)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			31,353
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(2,248)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(760,731)	
Energy conservation loan		(135,000)	
Compensated absences		(412,524)	
Total		(1,308,255)	(1,308,255)
Net position of governmental activities		\$	6,684,327

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, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 836,794	\$ 124,861	\$ 119,147	\$ 1,080,802
Tuition	522,123	-	-	522,123
Earnings on investments	7,082	-	20	7,102
Charges for services	-	-	37,710	37,710
Extracurricular	5,312	-	90,679	95,991
Classroom materials and fees	205	-	-	205
Other local revenues	22,084	-	6,274	28,358
Intergovernmental - intermediate	1,761	262	263	2,286
Intergovernmental - state	6,530,697	24,309	168,739	6,723,745
Intergovernmental - federal	20,975	-	907,866	928,841
Total revenues	<u>7,947,033</u>	<u>149,432</u>	<u>1,330,698</u>	<u>9,427,163</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,975,133	6,619	249,421	4,231,173
Special	1,027,849	-	340,296	1,368,145
Vocational	179,428	-	-	179,428
Other	30,355	-	-	30,355
Support services:				
Pupil	458,193	-	-	458,193
Instructional staff	50,338	-	108,373	158,711
Board of education	18,735	-	-	18,735
Administration	727,079	-	17,555	744,634
Fiscal	304,640	3,412	7,322	315,374
Operations and maintenance	895,062	30,029	44,041	969,132
Pupil transportation	190,342	-	-	190,342
Central	61,134	-	5,508	66,642
Operation of non-instructional services:				
Food service operations	-	-	408,286	408,286
Other non-instructional services	5,291	356	255	5,902
Extracurricular activities	194,638	-	93,153	287,791
Facilities acquisition and construction	-	3,574	-	3,574
Debt service:				
Principal retirement	-	25,000	95,000	120,000
Interest and fiscal charges	-	8,331	28,878	37,209
Total expenditures	<u>8,118,217</u>	<u>77,321</u>	<u>1,398,088</u>	<u>9,593,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(171,184)</u>	<u>72,111</u>	<u>(67,390)</u>	<u>(166,463)</u>
Other financing sources (uses):				
Transfers in	279,087	-	-	279,087
Transfers (out)	-	(279,087)	-	(279,087)
Total other financing sources (uses)	<u>279,087</u>	<u>(279,087)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	107,903	(206,976)	(67,390)	(166,463)
Fund balances at beginning of year	<u>584,364</u>	<u>603,275</u>	<u>742,376</u>	<u>1,930,015</u>
Fund balances at end of year	<u>\$ 692,267</u>	<u>\$ 396,299</u>	<u>\$ 674,986</u>	<u>\$ 1,763,552</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, 2014

Net change in fund balances - total governmental funds \$ (166,463)

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.

Capital asset additions	\$ 58,232	
Current year depreciation	(404,107)	
Total		(345,875)

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

Property taxes	14,964	
Intergovernmental	92,032	
Miscellaneous	(100)	
Total		106,896

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

General obligation bonds	95,000	
Energy conservation loan	25,000	
Total		120,000

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

Decrease in accrued interest payable	317	
Accreted interest on capital appreciation bonds	(16,039)	
Amortization of bond premiums	6,217	
Amortization of deferred charges	(4,887)	
Total		(14,392)

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

(30,752)

Change in net position of governmental activities \$ (330,586)

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 776,711	\$ 776,711	\$ 842,633	\$ 65,922
Tuition	481,275	481,275	522,123	40,848
Earnings on investments	3,669	3,669	3,980	311
Classroom materials and fees	189	189	205	16
Other local revenues	16,389	16,389	17,780	1,391
Intergovernmental - intermediate	1,622	1,622	1,760	138
Intergovernmental - state	5,973,504	5,973,504	6,480,497	506,993
Intergovernmental - federal	19,334	19,334	20,975	1,641
Total revenues	<u>7,272,693</u>	<u>7,272,693</u>	<u>7,889,953</u>	<u>617,260</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,329,770	4,107,671	4,022,037	85,634
Special	1,101,856	1,045,335	1,023,324	22,011
Vocational	189,622	179,895	178,841	1,054
Other	32,834	31,150	30,437	713
Support services:				
Pupil	488,070	463,034	446,216	16,818
Instructional staff	76,804	72,864	67,915	4,949
Board of education	16,670	15,815	13,308	2,507
Administration	798,031	757,095	746,819	10,276
Fiscal	334,065	316,929	310,849	6,080
Operations and maintenance	953,484	904,574	902,452	2,122
Pupil transportation	215,327	204,282	194,999	9,283
Central	63,842	60,567	60,203	364
Other non-instructional services	5,636	5,347	5,291	56
Extracurricular activities	204,151	193,679	193,432	247
Total expenditures	<u>8,810,162</u>	<u>8,358,237</u>	<u>8,196,123</u>	<u>162,114</u>
Excess of expenditures over revenues	<u>(1,537,469)</u>	<u>(1,085,544)</u>	<u>(306,170)</u>	<u>779,374</u>
Other financing sources:				
Refund of prior year's expenditures	14,780	14,780	16,034	1,254
Transfers in	257,253	257,253	279,087	21,834
Total other financing sources	<u>272,033</u>	<u>272,033</u>	<u>295,121</u>	<u>23,088</u>
Net change in fund balance	(1,265,436)	(813,511)	(11,049)	802,462
Fund balance at beginning of year	1,141,635	1,141,635	1,141,635	-
Prior year encumbrances appropriated	95,412	95,412	95,412	-
Fund balance (deficit) at end of year	<u>\$ (28,389)</u>	<u>\$ 423,536</u>	<u>\$ 1,225,998</u>	<u>\$ 802,462</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 255,431	\$ 45,918
Total assets	255,431	\$ 45,918
Liabilities:		
Due to students	-	\$ 45,918
Total liabilities	-	\$ 45,918
Net position:		
Held in trust for scholarships	255,431	
Total net position	\$ 255,431	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 4,038
Deductions:	
Scholarships awarded	7,400
Change in net position	(3,362)
Net position at beginning of year	258,793
Net position at end of year.	\$ 255,431

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, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Wellsville Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Wellsville Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District’s seven instructional/support facilities staffed by 32 non-certified and 59 certified full-time teaching personnel who provide services to 827 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the District’s accounting policies.

A. The Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

ACCESS is a jointly governed organization among 23 school districts, 1 community school, 2 educational service centers and 2 career and technical centers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The nine-member Board of Directors consists of 2 treasurers and 6 superintendents from participating school districts. The ACCESS treasurer is an ex-officio member of the Board of Directors. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Youngstown, Ohio 44512.

Columbiana County Career and Technical Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

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

B. Fund Accounting

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

GOVERNMENTAL FUNDS

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent improvement fund - The permanent improvement fund is used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition or construction of capital facilities and other capital assets.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and capital assets other than those accounted for in the permanent improvement fund, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenues 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, 2014**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the grant's timing requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

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, 2014

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2014, investments were limited to investments in nonnegotiable certificates of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio investments are reported at fair value which is based on quoted market prices. Non-participating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price at which the District's investment in STAR Ohio could be sold on June 30, 2014.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 2014 amounted to \$7,082, which includes \$3,540 assigned from other District funds.

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of current assets.

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

H. Capital Assets

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

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

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

I. Compensated Absences

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Bond Issuance Costs, Bond Premiums and Discounts, and Deferred Charges on Debt Refunding

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

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 9.A.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

L. Net Position

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

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. 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.

O. 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.

P. 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 2014.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
Food service	\$ 8,779
Title VI-B	938
Improving teacher quality	699

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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;

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits, including \$2,033,217 in nonnegotiable certificates of deposit, was \$2,771,051. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of June 30, 2014, \$411,659 of the District’s bank balance of \$2,810,987 was exposed to custodial risk as discussed below, while \$2,399,328 was covered by the FDIC.

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

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

B. Investments

As of June 30, 2014, the District had the following investment and maturity:

Investment type	Fair Value	Investment Maturities 6 months or less
STAR Ohio	\$ 7,619	\$ 7,619

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.

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 7,619	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,771,051
Investments	<u>7,619</u>
Total	<u>\$ 2,778,670</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,477,321
Private-purpose trust funds	255,431
Agency fund	<u>45,918</u>
Total	<u>\$ 2,778,670</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the permanent improvement fund to:</u>	<u>Amount</u>
General fund	<u>\$ 279,087</u>

The District obtained approval for this transfer from the Court of Common Pleas of Columbiana County pursuant to Ohio Revised Code Section 5705.14(B). The purpose of this transfer was to reimburse the general fund for monies used to pay permanent improvement obligations debt service.

Transfers between governmental funds are eliminated on the government-wide statement of activities.

NOTE 6 - PROPERTY TAXES

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$40,209 in the general fund, \$5,141 in the debt service fund, a nonmajor governmental fund, \$6,152 in the permanent improvement fund, and \$801 in the classroom facilities maintenance fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$46,048 in the general fund, \$5,959 in the debt service fund, a nonmajor governmental fund, \$7,476 in the permanent improvement fund, and \$976 in the classroom facilities maintenance fund, a nonmajor governmental fund. 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 delinquent tangible personal property taxes which are measurable as of June 30, 2014 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 deferred inflows.

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 43,270,970	93.12	\$ 42,561,820	92.71
Public utility personal	<u>3,197,620</u>	<u>6.88</u>	<u>3,347,570</u>	<u>7.29</u>
Total	<u>\$ 46,468,590</u>	<u>100.00</u>	<u>\$ 45,909,390</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 38.65		\$ 38.65	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014, consisted of property taxes, accounts, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

Governmental activities:

Property taxes	\$ 1,254,358
Accounts	206
Intergovernmental	<u>334,659</u>
Total	<u>\$ 1,589,223</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, 2014

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 312,056	\$ -	\$ -	\$ 312,056
Total capital assets, not being depreciated	<u>312,056</u>	<u>-</u>	<u>-</u>	<u>312,056</u>
Capital assets, being depreciated:				
Land improvements	1,037,350	-	-	1,037,350
Building and improvements	10,274,670	9,879	-	10,284,549
Furniture and equipment	796,371	48,353	-	844,724
Vehicles	420,210	-	-	420,210
Total capital assets, being depreciated	<u>12,528,601</u>	<u>58,232</u>	<u>-</u>	<u>12,586,833</u>
Less: accumulated depreciation				
Land improvements	(597,122)	(46,326)	-	(643,448)
Building and improvements	(5,176,086)	(290,093)	-	(5,466,179)
Furniture and equipment	(672,487)	(37,022)	-	(709,509)
Vehicles	(248,151)	(30,666)	-	(278,817)
Total accumulated depreciation	<u>(6,693,846)</u>	<u>(404,107)</u>	<u>-</u>	<u>(7,097,953)</u>
Governmental activities capital assets, net	<u>\$ 6,146,811</u>	<u>\$ (345,875)</u>	<u>\$ -</u>	<u>\$ 5,800,936</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 305,672
Special	3,191
Support services:	
Fiscal	833
Operations and maintenance	45,563
Pupil transportation	27,177
Food service operations	8,903
Extracurricular activities	<u>12,768</u>
Total depreciation expense	<u>\$ 404,107</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due in One Year
Governmental activities:					
Series 2007 refunding bonds	\$ 839,692	\$ 16,039	\$ (95,000)	\$ 760,731	\$ 90,731
Energy conservation loan	160,000	-	(25,000)	135,000	25,000
Compensated absences	431,664	56,659	(52,545)	435,778	26,370
Total long-term obligations, governmental activities	\$ 1,431,356	\$ 72,698	\$ (172,545)	1,331,509	\$ 142,101
Add: Unamortized premium on refunding bonds				39,893	
Total reported on the statement of net position				\$ 1,371,402	

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

B. Energy Conservation Loan

In August 2004, the District issued energy conservation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a fifteen-year period with final maturity during fiscal year 2019 and an interest rate of 3.0%. The loan will be retired from the debt service fund (a nonmajor governmental fund).

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

Year Ended	Energy Conservation Loan		
June 30,	Principal	Interest	Total
2015	\$ 25,000	\$ 7,115	\$ 32,115
2016	25,000	5,864	30,864
2017	25,000	4,583	29,583
2018	30,000	3,300	33,300
2019	30,000	1,650	31,650
Total	\$ 135,000	\$ 22,512	\$ 157,512

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

C. Refunding Bonds - Series 2007

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

The refunding issue is comprised of both current interest bonds, par value \$970,000 and capital appreciation bonds, par value \$25,000. The capital appreciation bonds mature December 1, 2014, (effective interest rate 4.0%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$100,000. Total accreted interest of \$65,731 has been included in the statement of net position at June 30, 2014.

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

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due in One Year
Series 2007, refunding current interest bonds 12/01/16 maturity	\$ 765,000	\$ -	\$ (95,000)	\$ 670,000	\$ -
Series 2007, refunding capital appreciation bonds 4.0% (effective interest), 12/1/14 maturity	25,000	-	-	25,000	25,000
Series 2007, refunding capital appreciation bonds accreted interest	<u>49,692</u>	<u>16,039</u>	<u>-</u>	<u>65,731</u>	<u>65,731</u>
Total	<u>\$ 839,692</u>	<u>\$ 16,039</u>	<u>\$ (95,000)</u>	<u>\$ 760,731</u>	<u>\$ 90,731</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 term of the refunded debt, which is equal to the term of the new debt issued.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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,	Series 2007 refunding bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ -	\$ 26,978	\$ 26,978	\$ 25,000	\$ 75,000	\$ 100,000
2016	100,000	24,978	124,978	-	-	-
2017	105,000	20,878	125,878	-	-	-
2018	110,000	16,578	126,578	-	-	-
2019	115,000	12,049	127,049	-	-	-
2020 - 2021	240,000	9,720	249,720	-	-	-
Total	<u>\$ 670,000</u>	<u>\$ 111,181</u>	<u>\$ 781,181</u>	<u>\$ 25,000</u>	<u>\$ 75,000</u>	<u>\$ 100,000</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$3,633,772 (including available funds of \$196,927) and an unvoted debt margin of \$45,909.

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 72 days in fiscal year 2014 for classified employees and maximum of 68 days in fiscal year 2014 for certified employees.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - COMPENSATED ABSENCES - (Continued)

During fiscal year 2014, the District offered a \$1,000 retirement incentive to eligible classified employees and a \$7,500 retirement incentive to certified employees. One certified employee accepted the incentive during the year. There were no payments outstanding at June 30, 2014.

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 2014, the District's insurance coverage through Ohio Casualty Insurance a member of the Liberty Mutual Group and coverage was provided in The Netherlands Insurance Company – A Stock Company as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and contents	\$ 1,000	\$ 34,836,767
Automobile liability	500	1,000,000
Uninsured motorists		1,000,000
General liability:		
Per occurrence	2,500	1,000,000
General aggregate		2,000,000

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

B. Workers' Compensation Program

For fiscal year 2014, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$125,704, \$132,616 and \$126,139, respectively; 94.66 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 12 - PENSION PLANS - (Continued)

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 2014, plan members were required to contribute 11 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 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$437,677, \$457,363 and \$457,267, respectively; 84.30 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$15,844 made by the District and \$12,449 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, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

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 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$17,949, \$15,588 and \$19,312, respectively; 94.66 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$7,293, \$7,491 and \$7,449, respectively; 94.66 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, 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, 2014, 2013 and 2012 were \$33,667, \$35,182 and \$35,174, respectively; 84.30 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	140,195
Current year qualifying expenditures	-
Current year offsets	<u>(140,195)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

The District had offsets during the fiscal year that reduced the capital improvements set-aside amount to zero. During fiscal year 1998, the District issued \$1,709,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition set-aside to zero for future years. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$1,139,342 at June 30, 2014.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (11,049)
Net adjustment for revenue accruals	46,064
Net adjustment for expenditure accruals	(58,274)
Net adjustment for other financing sources	(16,034)
Funds budgeted elsewhere	738
Adjustment for encumbrances	146,458
GAAP basis	\$ 107,903

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the adult education fund, the public school support fund and the underground storage tank fund.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

Fund	Year-End Encumbrances
General	\$ 39,460
Permanent improvement	16,499
Other governmental	18,518
Total	<u>\$ 74,477</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2014**

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			\$33,049	\$33,049
Cash Assistance: National School Lunch Program	04-PU-14	10.555	232,001	232,001
National School Breakfast Program	05-PU-14	10.553	<u>91,896</u>	<u>91,896</u>
Cash Assistance Subtotal			323,897	323,897
Fresh Fruit & Vegetable Program	2,014	10.582	<u>6,973</u>	<u>6,973</u>
Total U.S. Department of Agriculture - Nutrition Cluster (Cash and Non-Cash)			<u>363,919</u>	<u>363,919</u>
U.S. Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Title I - Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2013 C1-S1-2014	84.010	56,186 <u>281,995</u>	42,279 <u>272,743</u>
Total Title I - Grants to Local Education Agencies			338,181	315,022
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF-2013 6B-SF-2014	84.027	26,732 <u>138,521</u>	27,805 <u>130,253</u>
Total Special Education Cluster			165,253	158,058
Title II-A Improving Teacher Quality Program	TR-S1-2013 TR-S1-2014	84.367	6,863 <u>55,698</u>	7,525 <u>55,191</u>
Total Title II-A Improving Teacher Quality Program			62,561	62,716
Rural and Low Income Title VIB	2013 2014	84.358	2,599 <u>12,810</u>	0 <u>12,778</u>
Total Rural and Low Income Title VIB			15,409	12,778
Ohio Residence Program	2014	84.395	<u>1,050</u>	<u>1,050</u>
Total Department of Education			<u>582,454</u>	<u>549,624</u>
Total Federal Awards			<u>\$946,373</u>	<u>\$913,543</u>

See the notes to the Federal Awards Receipts and Expenditures Schedule.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2014**

A. SIGNIFICANT ACCOUNTING POLICIES

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

B. CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U. S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

C. FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wellsville Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The Entity's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Entity's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

January 20, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Wellsville Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Wellsville Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Title I Grant

As described in finding 2014-001 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management applicable to its Title I Grant major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Title I Grant

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Title I Grant* paragraph, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I Grant for the year ended June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Wellsville Local School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance

Wellsville Local School District
Columbiana County
Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Federal Program and On Internal Control
Over Compliance in Accordance with OMB Circular A-133
Page 3

requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-001 to be a material weakness.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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

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

Dave Yost
Auditor of State
Columbus, Ohio

January 20, 2015

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**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – Title I CFDA # 85.010 Unmodified – Nutrition Cluster CFDA # 10.555 and #10.553
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA# 85.010 Title I CFDA # 10.555, #10.553 Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3.FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Noncompliance/Material Weakness

Finding Number	2014-001
CFDA Title and Number	Title I CFDA 84.010
Federal Award Number / Year	C1-S1-2013 C1-S1-2014
Federal Agency	U. S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 CFR 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 C.F. R. 80.20 (b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursement. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount that apply to advances to the grantees.

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 C.F.R. 80.21). To receive approval consideration, cash requests must be made for immediate needs for the month requested. Ohio Department of Education Project Cash Request Instructions state the Ohio Department of Education (ODE) will initiate the first payment of project funds to school districts and agencies upon project approval. Subsequent payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of (1) month plus any negative cash balance. To comply with the "Cash Management Act" 31 C.F.R. part 205, the time elapsed between the receipt and disbursement of funds must be minimized; this includes any draw down or project funds by June 30. Funds must be expended within the period of time for which cash is requested.

Funds drawn for the FY 14 Title I grant were not always expended in the time period for which they were requested.

Advance Month	Ending Fund Balance
October	\$4,622
November	1,763
January	3,322
April	6,543
May	8,467
June	9,252

Finding Number - 2014-001

The School District should take steps to minimize the time elapsing between the receipt and disbursement of grant funds. The School District Treasurer should review the process for requesting federal funds to ensure monies are disbursed within the month of receipt.

Officials Response: When requesting Federal grant monies, the district will request expected payrolls and benefits to be expended for the month and monies that has been spent. For other obligations, the district will only request monies to reimburse the district after an obligation has been paid.

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**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)**

DECEMBER 31, 2014

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	When requesting Federal grant monies, the district will request expected payrolls and benefits to be expended for the month and monies that has been spent. For other obligations, the district will only request monies to reimburse the district after an obligation has been paid.	1/31/15	Eva Elliot, Treasurer

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Dave Yost • Auditor of State

WELLSVILLE LOCAL SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 19, 2015**