

WELLSBORO AREA SCHOOL DISTRICT
Single Audit Package
For the Year Ended June 30, 2011

WELLSBORO AREA SCHOOL DISTRICT

Single Audit Report Package
For the Year Ended June 30, 2011

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WELLSBORO AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
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Management's Discussion, and Analysis (MD&A) of the Wellsboro Area School District for the fiscal year ended June 30, 2011, provides a narrative summary of the Wellsboro Area School Districts' financial position and performance, including highlights and comparative data. The MD&A is presented as required supplementary information to the financial statements and should be read in conjunction with the financial statements, the notes to the financial statements, and the supplementary schedules.

The Management Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Wellsboro Area School District Mission Statement

Every Child, Every Opportunity, Every Day... Striving for Success

We Believe:

- Education, with measurable goals and high expectations, empowers all individuals to achieve full potential;
- Because every individual is important and unique, education endeavors to meet the varying abilities that may require different learning strategies so that all individuals can learn;
- Each individual has the right to a respectful, safe learning environment that promotes academic excellence, responsibility, creativity, cooperation, critical thinking, and life-long learning.
- Positive educational experiences reinforce honesty, integrity, strong moral character, and appreciation of diversity.
- An educational partnership must include family, school, and community to provide for our area's cultural, social, and intellectual development.

Wellsboro Area School District Vision Statement

The Wellsboro Area School District will prepare all students for lifelong success through education.

- Everyone will be competent, compassionate, and motivated.
- Everyone will be held accountable for communicating effectively, solving problems competently, thinking critically and creatively, and acting responsibly.
- Our environment will be safe, respectful, and stimulating and will promote open, effective communication.
- Everyone will share the responsibility for our success by choosing the appropriate resources to improve efficiency and accountability in the learning experience.

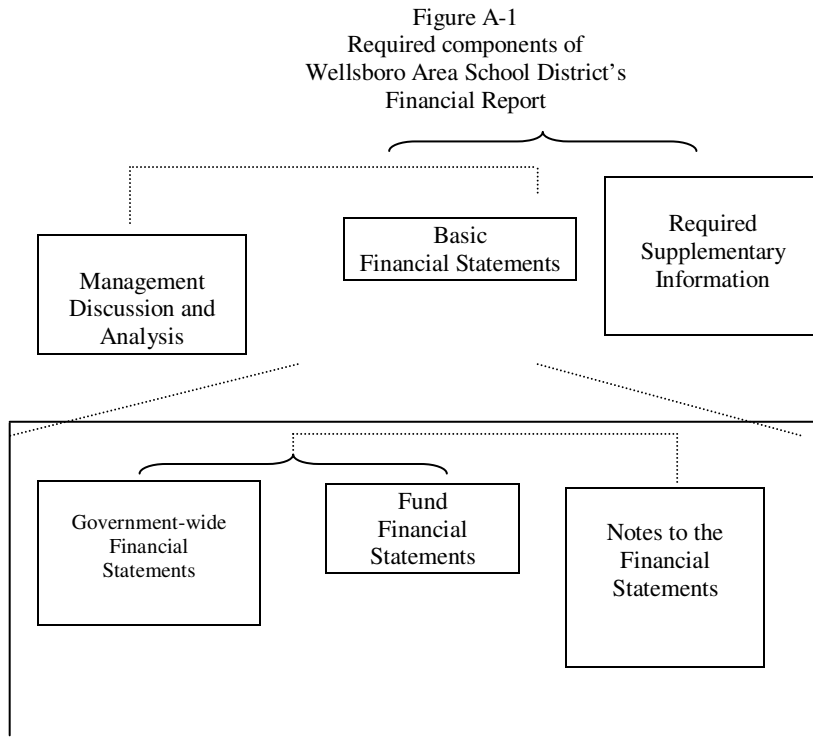
FINANCIAL STATEMENTS

This annual report consists of three parts: Management Discussion and Analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Wellsboro Area School District. The first two statements (district-wide) are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the School's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School's operations in more detail than the government-wide statements. The governmental funds statements tell how, in general, the School District's services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like a business. For the District, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. Activities that are fiduciary in nature are not included in these statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statement with the comparison of the Wellsboro Area School District's budget for the year.

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Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:



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Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of the Wellsboro Area School District
Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds
Required financial statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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OVERVIEW OF FINANCIAL STATEMENTS

Reporting the School District as a Whole – (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

Statement of Net Assets - The Statement of Net Assets shows the “assets” (what is owned), “liabilities” (what is owed) and the “net assets” (the resources that would remain if all obligations were settled) of the District. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in “fixed” or “capital” assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of future years if needed.

Statement of Activities – The Statement of Activities shows amounts of program-specific and general District revenue used to support the various functions. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the School District’s net assets and how they have changed. Net assets, the difference between the School’s assets and liabilities, is one way to measure the School’s financial health or position. Over time, increases or decreases in the School’s net assets are an indication of whether its financial health is improving or deteriorating, respectively. To assess the District’s overall health, you need to consider additional non-financial factors such as changes in the District’s property tax base, the condition of school buildings and other facilities, and the performance of the students.

The district-wide financial statements of the School District are divided into two categories:

- **Governmental Activities** – All of the School’s basic services are included here, such as instruction, administration and community services. Property taxes, state and federal subsidies and grants finance most of these activities.
- **Business Type Activities** – The School District contracts with a food service provider for its food service operation. Fees are charged to staff, students, and visitors to help cover the costs of the food service operation.

Reporting the District’s Most Significant Funds (Funds Financial Statements):

The School District’s financial statements provide detailed information about the most significant funds – not the district as a whole. Funds are accounting devices the District use to keep track of specific sources of funding and spending on particular programs. The significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District’s operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column. Some funds are required by state law and by bond requirements.

- **Governmental funds** – Most of the School District’s activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District’s programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- **Proprietary funds** – These funds are used to account for the District’s activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers, students, staff, and visitors for services it provides, these services are generally reported in proprietary funds. The Food Service Fund is the District’s proprietary fund and is the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows.
- **Fiduciary funds** – The School District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

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FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets - The District's total reporting entity net assets was \$3,819,527 as of June 30, 2011 an increase of \$946,347 from the prior year ending June 30, 2010. The increase to the District's total net assets consisted of a 36.11% increase in governmental activities in the amount of \$954,197 and a 3.40% decrease of \$7,850 business-type activities. The components of net assets are invested in capital assets (buildings, land, and equipment). Restricted, committed, and assigned net assets in the amount of \$2,265,415 are held for capital projects, future year's retirement expenses, and special revenue funds. The remaining unrestricted net assets are a combination of undesignated amounts.

The District's enrollment for the 2010-11 school year was 1,597 students as compared with 1,618 during the prior year.

The results of this year's operations as a whole are reported in the Statement of Activities report of the financial statements. District wide expenses of \$22,568,536 are recorded in the first column of the report. Program revenues in the form of specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are support by other general revenues throughout this report. The two largest general revenues are local property taxes assessed to taxpayers of the Wellsboro Area School District and the Basic Education Subsidy provided by the State of Pennsylvania.

As previously mentioned, the total cost of all programs and services for the entire District was \$22,568,536. District wide expenses cover a range of services with 58.9% related to Instruction and 4.8% related to Instructional Support Services, 10.8% related Administration and Financial Support Services, 4.12% to Pupil Transportation Services, 9.7% to the Operation and Maintenance of Plant Facilities Services, 6.35% to Interest on Long-Term Debt, 3.26% to Food Service with the remaining 2.07x% related to Student Activities, Community Services, Scholarships and Awards, and Unallocated Deprecation Expense.

Table A-1 through A-4 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Table A-1 - Condensed Statement of Net Assets

Wellsboro Area School District
Condensed Statement of Net Assets
Fiscal Years ended June 30, 2011 and June 30, 2010

	Governmental Activities			Business-type Activities			Total		
	2011	2010	% Change	2011	2010	% Change	2011	2010	% Change
Assets									
Current and other assets	\$ 8,263	\$ 5,837	42%	\$ (20)	\$ 202	-110%	\$ 8,243	\$ 6,039	36%
Capital assets	32,153	33,288	-3%	269	316	-15%	32,422	33,604	-4%
Total Assets	\$ 40,416	\$ 39,125	3%	\$ 249	\$ 518	-52%	\$ 40,665	\$ 39,643	3%
Liabilities									
Other Liabilities	\$ 4,186	\$ 3,648	15%	\$ 27	\$ 287	-91%	\$ 4,213	\$ 3,935	7%
Long-term debt outstanding	32,634	32,835	-1%	-	-	0%	32,634	32,835	-1%
Total Liabilities	\$ 36,820	\$ 36,483	1%	\$ 27	\$ 287	-91%	\$ 36,847	\$ 36,770	0%
Net assets									
Invested in capital assets, net of related debt	\$ (219)	\$ 963	-123%	\$ 268	\$ -	0%	\$ 49	\$ 963	-95%
Restricted	2,195	316	595%	-	231	0%	2,195	547	301%
Unrestricted	1,621	1,363	19%	(46)	-	0%	1,575	1,363	16%
Total Net Assets	\$ 3,597	\$ 2,642	36%	\$ 222	\$ 231	-4%	\$ 3,819	\$ 2,873	33%
Total Liabilities and	\$ 40,417	\$ 39,125	3%	\$ 249	\$ 518	-52%	\$ 40,666	\$ 39,643	3%

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Table A-2 takes the information from the Statement of Net Assets, rearranges it slightly, so you can see the District's total revenues for the year.

Table A-2 - Changes in Net Assets from Operating Results

Wellsboro Area School District									
Changes in Net Assets from Operating Results									
(in thousands)									
Fiscal Years ended June 30, 2011 and June 30, 2010									
Revenue	Governmental Activities			Business - Type Activities			Total		
	2011	2010	% Change	2011	2010	% Change	2011	2010	% Change
Program Revenue									
Charges for service	\$ 36	\$ 34	5.88%	\$ 370	\$ 343	7.87%	\$ 406	\$ 377	7.69%
Operating grants and contributions	5,516	4,902	12.53%	357	383	-6.79%	5,873	5,285	11.13%
General Revenue									
Taxes	11,420	10,339	10.46%		0		11,420	10,339	10.46%
Grants, subsidies and contributions	5,786	6,298	-8.13%		0		5,786	6,298	-8.13%
Other	30	184	-83.70%		0		30	184	-83.70%
Total Revenues	\$ 22,788	\$ 21,757	4.74%	\$ 727	\$ 726	0.14%	\$ 23,515	\$ 22,483	4.59%
Expenses									
Instruction	\$ 13,286	\$ 13,077	1.60%	\$	\$		\$ 13,286	\$ 13,077	1.60%
Support service	6,653	7,045	-5.56%				6,653	7,045	-5.56%
Non-instructional services	464	425	9.18%				464	425	9.18%
Debt service - interest	1,431	1,406	1.78%				1,431	1,406	1.78%
Business-type (food service fund)	0	0	0.00%	735	728	0.96%	735	728	0.96%
Total Expenses	\$ 21,834	\$ 21,953	-0.54%	\$ 735	\$ 728	0.96%	\$ 22,569	\$ 22,681	-0.49%
Change in net assets	\$ 954	\$ -196		\$ -8	\$ -2		\$ 946	\$ -198	

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Tables A-3 and A-4 below present the expenses of both the Governmental Activities and the Business-type Activities of the School District. They show the District's largest functions – instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, food services as well as each program's net cost (total cost less revenues generated by the activities). Table A-3 also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local revenue and other miscellaneous revenues.

Table A-3 - Net Costs of Governmental Activities

Wellsboro Area School District
Net Cost of Governmental Activities
Fiscal Years ended June 30, 2011 and June 30, 2010

	Total Cost of Services			Net Cost of Services		
	2011	2010	% Change	2011	2010	% Change
Instruction	\$ 13,286,385	\$ 13,077,294	1.60%	\$ 8,852,793	\$ 9,159,429	-3.35%
Instructional Student Support	1,082,424	1,349,116	-19.77%	1,000,825	1,270,876	-21.25%
Administrative and Financial Support	2,435,423	2,595,878	-6.18%	2,360,064	2,526,401	-6.58%
Operation and Maintenance of of Plant Services	2,204,582	2,199,037	0.25%	2,162,809	2,159,894	0.13%
Pupil Transportation	929,792	900,720	3.23%	424,843	411,240	3.31%
Student Activities	346,544	331,540	4.53%	298,203	284,630	4.77%
Community Services	30,326	43,390	-30.11%	28,717	41,734	-31.19%
Scholarships and awards	21,679	5,316	307.81%	21,679	5,316	307.81%
Interest on Long-Term Debt	1,431,293	1,406,300	1.78%	1,066,921	1,112,694	-4.11%

Table A-4 reflects the activities of the Food Service Program, the Only Business-Type activity of the School District.

Table A-4 - Net Cost of Business-type Activities

Wellsboro Area School District
Net Cost of Business-type Activities
Fiscal Years ended June 30, 2011 and June 30, 2010

	Total Cost of Services			Net Cost of Services		
	2010	2009	% Change	2010	2009	% Change
Food Service	\$ 735,066	\$ 728,273	0.93%	\$ (7,850)	\$ (2,430)	223.05%
	\$ 735,066	\$ 728,273	0.93%	\$ (7,850)	\$ (2,430)	223.05%

The Statement of Revenues, Expenses, and Changes in Fund Net Assets for this proprietary fund will further detail the actual results of operations.

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Governmental Activities – Revenue

The District's Governmental Funds Revenue totaled \$22,961,257 for the fiscal year ended June 30, 2011. This represents a 5.74% increase over the revenues for fiscal year 2009-10. The most significant changes in the District's Governmental Revenue are more thoroughly discussed in each specific funds analysis.

Governmental Activities – Expenditures

The District's Governmental Activities expenses cover a range of services with 57.765% related to instruction, 29.01% related to support services, 2.21% related to non-instructional services, 1.87% related to facility acquisition/construction/improvements, and the remaining 9.15% related to debt service.

The total cost of all 2010-11 fiscal year Governmental Funds programs and services of the District totaled \$21,561,944. The 2010-11 total governmental expenditures decreased by \$1,086,988, or 4.80% from 2009-10 governmental expenditures. The decrease was primarily due to approximately \$2,000,189 in reductions to District Construction/Improvement Services and Capital Projects, Debt Service and Support Services Costs. These reductions were offset by a 7.09% increase of \$824,621 to Instruction costs and an \$88,580 increase to Non-instructional Services from 2009-10 fiscal year expenditures.

Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variance between years for the District-wide financial statements (statement of Net Assets and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the Statement of Net Assets is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds.

Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

- The District's Other Financing Uses increased \$227,329, primarily as a result refinancing of the Series of 2005 and 2006 General Obligation Bonds and the 2008 General Obligation Note.
- For Governmental Activities, the district received approximately \$5,515,848 from operating grants and charges for services from state and federal grants which subsidized various programs of the District. This is a \$613,996 or 12.53% increase over the operating grants and charges received for the prior fiscal year. The increase is attributed to the district receiving funding from the following sources: \$128,279 from the Carol M. White Physical Education Program Grant, \$408,803 from the Education Jobs Fund to supplement the district's Basic Education Subsidy, a Title I School Improvement Grant of \$42,818, and increases to the state reimbursement for employer retirement expense.
- Most of the District's net costs (16.0 million) were financed by real property taxes, grants, and state subsidies.

The most significant changes in the District's Governmental Fund expenses are discussed as follows:

General Fund

- The District's 2010-11 Fiscal Year General Fund revenues exceeded expenditures by approximately \$1,315,021
- The District's General Fund balance equaled approximately \$3,248,945 as of June 30, 2011. Unassigned fund balance is \$1,765,522, an increase of 2.3% over the prior year balance of \$1,725,702. The District's General Fund Assigned Fund Balance includes \$1,477,124 being held for future year's employer retirement expenses and \$6,187 as Athletic Fund reserves.
- The District's General Fund assets increased approximately \$1,291,469, and liabilities increased \$1,239,097 during the year ended June 30, 2011. The increase in assets was primarily due to an increase to cash and cash equivalents of approximately \$1,627,309; a 11.52% increase of \$123,644 to taxes receivable; an increase of \$223,059 to receivables from other funds and local governmental entities; and an increase of \$209,905 to State and Federal Revenues receivable as of June 30, 2011. The increase in liabilities of 3.77% was associated with a \$395,964 increase to accounts payable at year end, a 3.46% increase to Bonds Payable amounting to \$1,115,995, and a \$95,849 increase to the long term portion of employee compensated absences.

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- General Fund total revenues increased \$1,132,326 or 5.19% over the prior year's revenues

Tax revenue of \$11,608,716 represents approximately 49.56% of the District's total revenue for governmental activities increased 11.05% during the year ended June 30, 2011. Tax revenue is generated from local real estate tax, interim real estate tax, earned income tax, local service tax, real estate transfer tax, payment-in-lieu of real estate tax, Public Utility Real Estate Tax, and delinquent tax collections. Current year real estate taxes increased 5.63%, or approximately \$433,211 more than the prior year collections. The \$433,211 increase was due to raising real estate millage from 2009-10 rates of 15.4430 for Tioga County and 14.6757 for Lycoming County to 2010-11 millage rates of 16.0827 for Tioga County and 14.2752 for Lycoming County and natural growth to the district's taxable property's assessed values. The real estate tax increase was within the boundaries established by Act 1 of 2006.

The district experienced significant increases to its delinquent real estate tax and earned income tax collections during this current fiscal year. The 35.85% increase or \$307,314 to delinquent real estate taxes is credited to the implementation of new delinquent tax collection software by the Tioga County Tax Claim Bureau, which collects the district's delinquent real estate taxes. The new software system improved the distribution timeline of delinquent collections to school districts and municipalities within Tioga County. The school district received fifteen months of delinquent tax collections during the 2010-11 fiscal year compared to twelve months of collections in prior fiscal years. The district expects collections to resume to a twelve month collection period with the 2011-12 fiscal year.

The school district's 2010-11 Earned Income Tax Collections were \$356,297 or 24.18% higher than 2009-10 fiscal year collections. The increase is due to employment of district residents by companies associated within the Marcellus Shale Natural Gas Drilling industry that is currently taking place across the Northern Tier of Pennsylvania. Several natural gas drilling related companies have established regional headquarters and offices within the Wellsboro School District has been, and is continuing to hire many local residents to fill positions related to the natural gas drilling industry. The increased level of residents being employed by Marcellus Shale gas drilling companies and increases to wages subject to the earned income tax is expected to continue for the next several years. The Wellsboro School District area has been experiencing an upturn to its local economy. Manufacturing facilities are operating close to maximum production and retail businesses are also seeing an upturn, due to more residents being placed on the employment rolls and more households earning higher wages due related to Marcellus Shale construction and drilling jobs.

Other local revenues decreased approximately \$315,638 or 31.64% over the prior year other revenues. These local revenue sources included a decrease of approximately \$244,600 to American Recovery and Reinvestment Act of 2009 (ARRA)/Stimulus - IDEA Pass Through Funds; an 18.0% decrease or \$50,618, to non-resident student tuition revenue which includes tuition for providing educational services to resident students of other school district's within Pennsylvania who have been placed in the Tioga County Detention Center, the Tioga County Residential facility, and the Tioga County Prison; and a decrease of \$30,727 for e-rate telecommunication reimbursement from Verizon. The e-rate program provides discounts to assist most schools and libraries in the United States to obtain affordable telecommunications and internet access funded through a universal service fee charged to companies that provide interstate and/or international telecommunications services. The school district will receive this revenue during the 2011-12 fiscal year.

The District's state revenue sources represent \$8,386,474 or 36.52% of total governmental revenue. State revenues decreased approximately \$150,339 or 1.76% in comparison to the prior year. The governmental funds' state revenue decrease was due to decreases to state revenue streams, primarily a 5.17% decrease to the district's Basic Education Subsidy of approximately \$272,333 over the 2009-10 fiscal year and a decrease of 36.22% or \$35,400 to Tuition for Orphans and Children Placed in Private Homes by the Court. The decrease was somewhat offset by increases to the following governmental funds state revenues: a 3.55% increase of \$16,571 to the district's pupil transportation subsidy; a \$25,061 increase to Charter School Tuition Reimbursement, a \$70,767 increase to debt service reimbursement, which was due to the refinancing of district General Obligation Bonds and Notes; a \$38,689 increase to the state's reimbursement for retirement expense which was due to the increase to the employer's retirement contribution rate from 4.78% to 5.64% for the 2010-11 fiscal year.

Governmental Funds federal revenues totaled \$2,284,156, which represents 7.95% of governmental funds revenues. \$128,279 of this increase is attributed to the school district being selected as a recipient of the Carol M. White Physical Education Program (PEP) Grant. This is a three year grant. The PEP grant will reform physical education and nutrition education by providing a range of integrated and comprehensive strategies to meet the physical fitness, nutrition, and physical activity needs of all students by providing consistent standards based curriculum, consistent assessments, age and ability appropriate fitness equipment, a variety of enjoyable fitness activities, social skills development, staff training, and community partnerships. The district received a Title I School Improvement Grant of \$42,818 for the Rock L. Butler Middle School during 2010-11. This grant was used to purchase interactive white boards to be used for providing a better educational foundation for the middle school students. The

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district received Education Jobs Fund monies of \$408,803 during 2010-11 which was used for health insurance benefits for 2010-11. The Federal Education Jobs Fund revenues received as pass through revenues supplemented the State Basic Education Subsidy for the 2010-11 fiscal year.

Other Financing Sources for the district's Governmental Funds increased \$277,329 in 2010-11. Other financing sources included the proceeds from the refinancing of the 2005 and 2006 General Obligation Bonds and Series of 2008 General Obligation Notes which netted savings of \$457,548 for the school district. Governmental Funds Interfund Transfers included a General Fund transfer of \$625,838 to the Capital Improvement Fund and transfers to the General Fund of \$10,000 from the Athletic Fund and a \$25,026 transfer from the 2010 General Obligation Bond Residual Sinking Fund which was applied toward a debt service payment.

- General Fund total expenditures increased \$53,821 or 0.25% over the prior year total expenditures.

The district's General Fund salary and wage expenses increased approximately 1.73% or \$174,500 from the prior year. The District and the professional teacher's union reached a four year labor agreement during the 2010-11 fiscal year. The contract is for the period of time from July 1, 2009 through June 30, 2013. Contracted labor cost increases were offset by the furloughing of three professional employees due to the restructuring of the district's math, music, and alternative education programs and the retirement of two senior guidance counselors. Salary related benefits slightly increased .516% or \$18,943 over the fiscal year ending June 30, 2010. Benefit increases were offset by approximately \$84,000 due to the implementation of a tiered premium structure for the district's health insurance. The district eliminated its in house Alternative Education program, and partnered with STAR, a Student Transition and Recovery program for students in need of academic and behavioral support.

PSERS, the Pennsylvania Public School employees' Retirement System is primarily responsible for administering a defined benefit pension plan for public school employees in the Commonwealth of Pennsylvania. Employer contributions increased 17.99% during 2010-11 due to the increase to the employer contribution rate from 4.78% in fiscal year 2009-2010 to 5.64% in fiscal year 2010-11, resulting in a \$77,830 increase to the district's employer contribution expense. In November 2010, Governor Edward Rendell signed HB 2497 into law. The legislation is known as Act 120 of 2010. Act 120 preserved the benefits of existing members and includes a series of actuarial and funding changes to PSERS and benefit reductions for individual who become new members of PSERS on or after July 1, 2011. Act 120 addressed the pending employer contribution rate spike projected for fiscal year 2012-13 by smoothing the projected rate increases over a five to nine year time period. In addition, the benefit reductions and risk sharing provisions for new members on July 1, 2011 and thereafter have created a low employer cost structure for new members and shifted some of the investment risk to members. The employer normal cost for Act 120 members is 68% less than pre-Act 120 members as the benefit plan is primarily member funded.

Pupil tuition to Pennsylvania Cyber Charter Schools decreased approximately 7.41% or \$35,106 from 2009-10 charter school tuition amount of \$476,505 to \$438,398. Tuition to other Pennsylvania educational facilities and approved private facilities which provided educational services to district resident students decreased by 10.8% or approximately \$23,061 from the 2009-10 fiscal year.

Funds spent for regular instructional programs teaching supplies, materials, and purchased services net of teaching salaries and benefits increased \$47,081 or 2.472% during the 2010-11 fiscal year.

The district has launched a five to seven year initiative for improving best practices and delivery of instruction in our classrooms during the 2010-11 school year. The district has adopted the model of "Learning Focused", a learning model which provides the most comprehensive model for reaching balanced achievement using a researched based framework and support solutions focused on learning and student achievement. The projected cost for this initiative is approximately \$20,000 per year.

The district experienced a .71% increase to its electric utility kilowatt usage during the 2010-11 fiscal year, however the district's cost for electric usage was \$21,346 less for the 2010-11 fiscal year than the prior year, due to the continued deregulation of electric rates. During the 2009-10 fiscal year the Rock L. Butler Middle School implemented policies and procedures to reduce electrical usage and also underwent a complete retro-fitting of its lighting system during 2009-10. The Middle Schools electric usage dropped 18,720 KWH, or 4.35% from the 2009-10 fiscal years usage. The other school buildings experienced a slight increase in usage with the exception of the Don Gill Elementary School, which had a 3.52% decrease in electric usage. Commencing with the summer of 2010 the district implemented a four day/ten hour per day work week for eight weeks during the summer break, the district plans on continuing with this schedule for the summer of 2011.

The district reached a settlement agreement in the amount of \$95,000 with a prior district employee as a result of litigation stemming from a 2005 incident.

WELLSBORO AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2011

General Fund and Construction Fund Payments for Facilities Acquisition, Construction and Improvement Services totaled \$479,042 for the 2010-11 fiscal year.

The 2010-11 projects are summarized as follows:

- 1) Top coating of the Charlotte Lappla and Don Gill Elementary School's parking lots - \$14,323
- 2) Don Gill Elementary School - replacement of exterior entrance doors - \$4,122
- 3) Rock L. Butler Middle School - parking lots paving project - \$100,000
- 4) Wellsboro Jr. Sr. High School – concrete floor replacement project - \$51,316
- 5) Wellsboro Jr. Sr. High School - replacement of the stair tread in the “Commons” of the Wellsboro Jr. Sr. High School - \$5,525
- 6) Wellsboro Jr. Sr. High School – High School Building and Construction Program - purchased of a Woodmiser Sawmill - \$5,800
- 7) Wellsboro Jr. Sr. High School – Multi-sport scoreboard for High School Gymnasium - \$4,714
- 8) Wellsboro Athletic Stadium – Multi-sport scoreboard for Stadium Field - \$12,745
- 9) Wellsboro Administration Building- replacement of one half of the Administration Building's roof - \$280,497

Special Revenue (Athletic Fund)

The District's Athletic Fund revenue for the 2010-11 fiscal year was \$30,855 which was approximately \$440 more than revenues received for the fiscal year ended June 30, 2010. Athletic fund expenditures for the 2010-11 fiscal year totaled \$32,889 which includes a \$10,000 fund transfer to the General Fund. Expenditures for the 2010-11 fiscal year increased approximately 13.88% or \$4,009 over the 2009-10 fiscal year expenditures.

Capital Projects Fund

The District Capital Projects - Stadium Project fund balance of \$151,595 is reserved for expenditures associated with the district's Athletic Stadium Renovation Project. The district contracted with Highland Associates during the 2010-11 fiscal year to provide architectural services related to the district's Athletic Stadium Renovation Project. A capital campaign is being launched for the purpose of obtaining non-taxpayer funding to support a \$4,000,000 project.

Capital Improvement Fund

The Wellsboro School District Board of Directors established a Capital Improvement Fund during the 2010-11 fiscal year for future district wide capital improvements. Initial funding was provided with a transfer of \$625,383 from the General Fund.

WELLSBORO AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2011

Capital Asset and Debt Administration

Capital Assets - At June 30, 2011, the School District had \$32,153,095 in Governmental Funds and \$268,840 in Business Type Funds invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deletions, and depreciation) of \$1,135,039 for Governmental Activities and a decrease of \$47,011 from Business Activities from June 30, 2010.

Table A-5 – Capital Assets (net of depreciation)

Wellsboro Area School District									
Capital Assets (net of depreciation)									
Governmental and Business Activities									
Fiscal Years ended June 30, 2011 and June 30, 2010									
	Governmental Activities			Business - Type Activities			Total		
	2011	2010	% Change	2011	2010	% Change	2011	2010	% Change
Land	1,554,640	1,554,640	0.00%	0	0	0.00%	\$ 1,554,640	\$ 1,554,640	0.00%
Site Improvements	717,888	625,537	14.76%	0	0	0.00%	717,888	625,537	14.76%
Building & Improvements	28,772,036	29,978,291	-4.02%	0	0	0.00%	28,772,036	29,978,291	-4.02%
Furniture & Equipment	1,108,531	1,129,666	-1.87%	268,840	315,851	-14.88%	1,377,371	1,445,517	-4.71%
	<u>\$ 32,153,095</u>	<u>\$ 33,288,134</u>	-3.41%	<u>\$ 268,840</u>	<u>\$ 315,851</u>	-14.88%	<u>\$ 32,421,935</u>	<u>\$ 33,603,985</u>	-3.52%

Debt Administration

Bond Obligations – As of June 30, 2010 and June 30, 2011 the Wellsboro Area School District has outstanding bond obligations of \$32,572,829 and \$33,454,139 respectively. The payments of general long-term debt are to be funded by the General Fund.

The Wellsboro Area School District Board of Directors refunded/refinanced the following bond and note obligations during the 2010-11 fiscal year:

- 1) Refunded the General Obligation Bonds, Series of 2008 - Issued General Obligation Bonds – Series A of 2010
Balance at June 30, 2011 - \$9,980,000
- 2) Refunded the General Obligation Bonds, Series of 2005 – Issued General Obligation Bonds – Series AA of 2010
Balance at June 30, 2011 - \$9,320,000
- 3) Refunded the General Obligation Bonds, Series of 2006 – Issued General Obligation Bonds – Series AAA of 2010
Balance at June 30, 2011 - \$8,425,000

Other long-term debt includes compensated absences for future employee retirement benefits.

**WELLSBORO AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2011**

Table A-6 - Outstanding Long-Term Debt

Table A-6 Wellsboro Area School District Outstanding Longterm Debt			
	2011	2010	% Change
Bonds/Notes Payable	\$ 33,454,139	33,572,829	-0.35%
Compensated Absenses and Other Post Employment Benefits	250,325	154,476	62.05%
	\$ 33,704,464	33,727,305	-0.07%

Fund Balances

At June 30, 2011, the School District's total fund equity of Governmental Funds equaled \$4,102,154 which is an increase of \$1,859,591 from June 30, 2010.

General Fund

The district's 2011-12 General Fund overfunded its expenditures by \$1,323,243. This difference in projected/budget revenues to expenditures is due to factors associated with the Marcellus Shale Natural Gas Drilling Industry which is sweeping across the northern tier of Pennsylvania and includes the Wellsboro Area School District, settlement of labor contracts, changes to the delinquent real estate tax collection process used by the Tioga County Tax Claim Bureau, receipt of the Carol M. White Physical Education Program (PEP) Grant, and additional grant monies.

The District's General Fund balance equaled approximately \$3,248,945 as of June 30, 2011. Unassigned fund balance is \$1,765,522, an increase of 2.3% over the prior year balance of \$1,725,702. The District's General Fund Assigned Fund Balance includes \$1,477,124 being held for future year's employer retirement expenses and \$6,187 as Athletic Fund reserves.

FACTORS BEARING ON WELLSBORO AREA SCHOOL DISTRICT'S FUTURE

Factors that will affect the future finances of the School District are: employee health benefits; the uncertainty of PSERS projected retirement rates; collective bargaining agreements with the Wellsboro Area Education Association and the Wellsboro Education Support Professionals Association; the uncertain condition of the state and national economy and its effect on the local economy of the District; current and projected natural gas explorations, drilling, production, and storage of natural gas within the boundaries of the school district; and, most notably, the uncertainty of future funding levels from the Commonwealth of Pennsylvania and the Federal Government.

CONTACTS

This financial report is designed to provide citizens, taxpayers, parents, students, investors, and creditors with a general overview of the Wellsboro Area School District's finances and to show the district's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Marcia Newcomb, Business Manager, Wellsboro Area School District, 227 Nichols Street, Wellsboro, Pa. 16901.

Allen, Rogers & Osgood

Certified Public Accountants

Scott S. Rogers, CPA (PA)
Edward J. Osgood, CPA (PA)
Michael L. Reimann, CPA (NY)

Gerald V. Allen, CPA (NY, PA)
Retired

Independent Auditors' Report

December 19, 2011

To the Board of Directors
Wellsboro Area School District
Wellsboro, Pennsylvania 16901

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wellsboro Area School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wellsboro Area School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wellsboro Area School District as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011 on our consideration of Wellsboro Area School 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 15 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information of consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

ALLEN, ROGERS & OSGOOD, C.P.A.'s

WELLSBORO AREA SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 4,479,983	\$ 38,093	\$ 4,518,076
Taxes receivable (net)	1,197,374	-	1,197,374
Internal balances	120,042	(120,042)	-
Due from other governments	326,712	-	326,712
State revenue receivable	309,864	4,314	314,178
Federal revenue receivable	322,650	45,132	367,782
Other receivables	231,093	-	231,093
Inventories	81,508	12,996	94,504
Prepaid expenses	1,194,246	-	1,194,246
Total current assets	<u>8,263,472</u>	<u>(19,507)</u>	<u>8,243,965</u>
Non-current assets			
Land	1,554,640	-	1,554,640
Land improvements (net)	717,888	-	717,888
Building & building improvements (net)	28,772,036	-	28,772,036
Vehicles, furniture & equipment (net)	1,108,531	268,840	1,377,371
Total noncurrent assets	<u>32,153,095</u>	<u>268,840</u>	<u>32,431,935</u>
Total assets	<u>\$ 40,416,567</u>	<u>\$ 249,333</u>	<u>\$ 40,665,900</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities			
Accounts payable	\$ 1,228,608	\$ 19,009	\$ 1,247,617
Current portion of long-term debt	1,440,058	-	1,440,058
Short term payables	263,585	-	263,585
Accrued salaries and benefits	970,440	692	971,132
Payroll deductions and withholdings	204,247	-	204,247
Deferred revenues	54,514	6,865	61,379
Other current liabilities	24,735	-	24,735
Total current liabilities	<u>4,186,187</u>	<u>26,566</u>	<u>4,212,753</u>
Noncurrent liabilities:			
Bonds payable	32,014,081	-	32,014,081
Long-term portion of compensated absences	250,325	-	250,325
Other Post Employment Benefits	369,214	-	369,214
Total noncurrent liabilities	<u>32,633,620</u>	<u>-</u>	<u>32,633,620</u>
Total liabilities	<u>36,819,807</u>	<u>26,566</u>	<u>36,846,373</u>
Net assets			
Invested in capital assets, net of related debt	(218,788)	268,840	50,052
Unrestricted	3,815,548	(46,073)	3,769,475
Total net assets	<u>3,596,760</u>	<u>222,767</u>	<u>3,819,527</u>
Total liabilities and net assets	<u>\$ 40,416,567</u>	<u>\$ 249,333</u>	<u>\$ 40,665,900</u>

The accompanying notes are an integral part of these financial statements.

WELLSBORO AREA SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:						
Instruction	\$ 13,286,385	\$ -	\$ 4,433,592	\$ (8,852,793)	\$ -	\$ (8,852,793)
Instructional student support	1,082,424	-	81,599	(1,000,825)	-	(1,000,825)
Admin. & finl. support services	2,435,423	-	75,359	(2,360,064)	-	(2,360,064)
Op. & main. of plant services	2,204,582	-	41,773	(2,162,809)	-	(2,162,809)
Pupil transportation	929,792	-	504,949	(424,843)	-	(424,843)
Student activities	346,544	35,746	12,595	(298,203)	-	(298,203)
Community services	30,326	-	1,609	(28,717)	-	(28,717)
Scholarships and awards	21,679	-	-	(21,679)	-	(21,679)
Interest on long-term debt	1,431,293	-	364,372	(1,066,921)	-	(1,066,921)
Unallocated depreciation expense	65,022	-	-	(65,022)	-	(65,022)
Total governmental activities	<u>21,833,470</u>	<u>35,746</u>	<u>5,515,848</u>	<u>(16,281,876)</u>	<u>-</u>	<u>(16,281,876)</u>
Business-type activities:						
Food service	735,066	370,277	356,877	-	(7,912)	(7,912)
Total primary government	<u>\$ 22,568,536</u>	<u>\$ 406,023</u>	<u>\$ 5,872,725</u>	<u>(16,281,876)</u>	<u>(7,912)</u>	<u>(16,289,788)</u>
General revenues:						
Taxes:						
Taxes, levied for general purpose, net				11,419,588	-	11,419,588
Grants, subsidies, & contributions not restricted				5,786,104	-	5,786,104
Investment earnings				14,843	62	14,905
Miscellaneous income				15,538	-	15,538
Total general revenues				<u>17,236,073</u>	<u>62</u>	<u>17,236,135</u>
Change in net assets				954,197	(7,850)	946,347
Net assets - beginning				<u>2,642,563</u>	<u>230,617</u>	<u>2,873,180</u>
Net assets -ending				<u>\$ 3,596,760</u>	<u>\$ 222,767</u>	<u>\$ 3,819,527</u>

The accompanying notes are an integral part of these financial statements.

WELLSBORO AREA SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2011

	<u>General Fund</u>	<u>Public Purpose Trust</u>	<u>Capital Reserve</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 3,210,324	\$ 77,867	\$ 625,838	\$ 565,954	\$ 4,479,983
Taxes receivable (net)	1,338,974	-	-	-	1,338,974
Due from other funds	150,267	-	-	-	150,267
Due from other governments	326,712	-	-	-	326,712
State revenue receivable	309,864	-	-	-	309,864
Federal revenue receivable	322,650	-	-	-	322,650
Other receivables	231,093	-	-	-	231,093
Inventories	81,508	-	-	-	81,508
TOTAL ASSETS	\$ 5,971,392	\$ 77,867	\$ 625,838	\$ 565,954	\$ 7,241,051
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Due to other funds	\$ 15,733	\$ 2,091	\$ -	\$ 12,401	\$ 30,255
Accounts payable	826,650	-	-	401,958	1,228,608
Accrued salaries and benefits	970,440	-	-	-	970,440
Payroll deductions and withholdings	204,247	-	-	-	204,247
Deferred revenues	680,642	-	-	-	680,642
Other current liabilities	24,735	-	-	-	24,735
Total liabilities	<u>2,722,447</u>	<u>2,091</u>	<u>-</u>	<u>414,359</u>	<u>3,138,897</u>
Fund balances					
Restricted fund balance	6,148	75,776	625,838	151,595	859,357
Assigned fund balance	1,477,275	-	-	-	1,477,275
Unassigned fund balance	1,765,522	-	-	-	1,765,522
Total fund balances	<u>3,248,945</u>	<u>75,776</u>	<u>625,838</u>	<u>151,595</u>	<u>4,102,154</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,971,392	\$ 77,867	\$ 625,838	\$ 565,954	\$ 7,241,051

The accompanying notes are an integral part of these financial statements.

WELLSBORO AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2011

Total Fund Balances - Governmental Funds \$ 4,102,154

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$45,280,898 and the accumulated depreciation is \$13,127,803. 32,153,095

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 484,528

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	\$ (33,454,139)	
Prepaid interest	1,194,246	
Accrued interest on the bonds	(263,585)	
Compensated absences	(250,325)	
Other post employment benefits	(369,214)	
	(33,143,017)	(33,143,017)

Total Net Assets - Governmental Activities \$ 3,596,760

The accompanying notes are an integral part of these financial statements.

WELLSBORO AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Public Purpose Trust	Capital Reserve	Capital Projects Funds	Total
REVENUES					
Local sources	\$ 12,231,174	\$ 52,981	\$ -	\$ 6,472	\$ 12,290,627
State sources	8,386,474	-	-	-	8,386,474
Federal sources	2,284,156	-	-	-	2,284,156
Total revenues	<u>22,901,804</u>	<u>52,981</u>	<u>-</u>	<u>6,472</u>	<u>22,961,257</u>
EXPENDITURES					
Instruction	12,010,801	-	-	-	12,010,801
Support services	6,238,084	16,839	-	443,384	6,698,307
NonInstructional services	378,329	22,298	-	75,386	476,013
Capital outlay	403,656	-	-	-	403,656
Debt service (principal & interest)	1,973,167	-	-	-	1,973,160
Total expenditures	<u>21,004,037</u>	<u>39,137</u>	<u>-</u>	<u>518,770</u>	<u>21,561,944</u>
Excess (deficiency) of revenues over expenditures	<u>1,897,767</u>	<u>13,844</u>	<u>-</u>	<u>(512,298)</u>	<u>1,399,313</u>
OTHER FINANCING SOURCES (USES)					
Refunding bond proceeds	14,381	-	-	27,980,000	27,994,381
Interfund transfers - in	25,981	-	625,838	-	651,819
Sale/compensation for fixed assets	2,730	-	-	-	2,730
Debt service - refunded bond issues	-	-	-	(27,536,833)	(27,536,833)
Interfund transfers - out	(625,838)	(953)	-	(25,028)	(651,819)
Total other financing sources (uses)	<u>(582,746)</u>	<u>(953)</u>	<u>625,838</u>	<u>418,139</u>	<u>460,278</u>
Net change in fund balances	1,315,021	12,891	625,838	(94,159)	1,859,591
Fund balance, July 1, 2010	<u>1,933,924</u>	<u>62,885</u>	<u>-</u>	<u>245,754</u>	<u>2,242,563</u>
Fund balance, June 30, 2011	<u>\$ 3,248,945</u>	<u>\$ 75,776</u>	<u>\$ 625,838</u>	<u>\$ 151,595</u>	<u>\$ 4,102,154</u>

The accompanying notes are an integral part of these financial statements.

WELLSBORO AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement
of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
June 30, 2011

Total net change in fund balances - governmental funds \$ 1,859,591

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceed capital outlays in the period.

Capital Outlays	\$ 277,972	
Depreciation expense	<u>(1,413,011)</u>	(1,135,039)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues changed by this amount this year.

(189,128)

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The effect of these transactions in the statement of activities is shown below:

Repayment of Bond Principal	\$ 28,098,690	
Amortization of Bond Costs	(94,802)	
Issuance of Bond Proceeds	(27,980,000)	
Prepaid Bond Costs	<u>443,167</u>	467,055

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in the interest accrued in the statement of activities and the amount due is shown here.

74,819

Some Other Post Employment Benefits reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.

(27,253)

In the statement of activities, certain operating expenses - compensated absences (Vacations and sick days) are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

(95,848)

Total net change in net assets of governmental activities \$ 954,197

The accompanying notes are an integral part of these financial statements.

WELLSBORO AREA SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2011

	<u>Food Service</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 38,093
Due from other funds	15,390
Due from other governments	49,446
Inventories	12,996
Total current assets	<u>115,925</u>
Noncurrent assets:	
Machinery and equipment (net)	<u>268,840</u>
Total noncurrent assets	<u>268,840</u>
Total assets	<u><u>\$ 384,765</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:	
Due to other funds	\$ 135,432
Accounts payable	19,009
Accrued salaries and benefits	692
Deferred revenues	6,865
Total current liabilities	<u>161,998</u>
Net Assets	
Invested in capital assets	268,840
Unrestricted	<u>(46,073)</u>
Total net assets	<u>222,767</u>
Total liabilities and net assets	<u><u>\$ 384,765</u></u>

The accompanying notes are an integral part of these financial statements.

WELLSBORO AREA SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
June 30, 2011

	Food Service
OPERATING REVENUES	
Food service revenue	\$ 370,064
Charges for services	213
Total operating revenues	370,277
 OPERATING EXPENSES	
Salaries	235,267
Employee benefits	96,150
Purchased professional and technical services	2,481
Purchased property services	2,144
Other purchased services	301,488
Supplies	47,770
Depreciation	49,766
Total operating expenses	735,066
Operating loss	(364,789)
 NONOPERATING REVENUES (EXPENSES)	
Earnings on investments	62
State sources	40,901
Federal sources	315,976
Total nonoperating revenue	356,939
Change in net assets	(7,850)
Total net assets - July 1, 2010	230,617
Total net assets - June 30, 2011	\$ 222,767

The accompanying notes are an integral part of these financial statements.

WELLSBORO AREA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
June 30, 2011

	<u>Food Service</u>
Cash flows from operating activities	
Cash received from users	\$ 406,782
Cash payments to employees for services	(338,586)
Cash payments to suppliers for goods and services	(443,176)
Net cash used for operating activities	(374,980)
Cash flows from non-capital financing activities	
State sources	39,729
Federal sources	265,244
Net cash provided by non-capital financing activities	304,973
Cash Flows From Capital and Related Financing Activities	
Facilities Acquisition	(2,755)
Net cash used for capital and related financing activities	(2,755)
Cash flows from investing activities	
Earnings on investments	62
Net cash provided by investing activities	62
Net decrease in cash and cash equivalents	(72,700)
Cash and cash equivalents beginning of year	110,793
Cash and cash equivalents at year end	\$ 38,093
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (364,789)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	49,766
Donated commodities	42,198
Decrease in accounts receivable	36,505
Decrease in inventories	86
Decrease in accounts payable	(131,577)
Decrease in accrued salaries benefits	(1,787)
Decrease in other current liabilities	(5,382)
Total adjustments	(10,191)
Cash used for operating activities	\$ (374,980)

Noncash Transactions

During the year the District received \$36,909 of donated commodities from the U.S. Dept. of Agriculture.

The accompanying notes are an integral part of these financial statements.

WELLSBORO AREA SCHOOL DISTRICT
Statement of Net Assets
Fiduciary Funds
June 30, 2011

	<u>Private purpose Trust</u>	<u>Agency</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 42,245	\$ 445,113	\$ 487,358
Total assets	<u>\$ 42,245</u>	<u>\$ 445,113</u>	<u>\$ 487,358</u>
<u>LIABILITIES AND NET ASSETS</u>			
Other current liabilities	\$ -	\$ 445,113	\$ 445,113
Total liabilities	<u>-</u>	<u>445,113</u>	<u>445,113</u>
Net assets			
Restricted for legal purposes	<u>42,245</u>	<u>-</u>	<u>42,245</u>
Total net assets	<u>42,245</u>	<u>-</u>	<u>42,245</u>
Total liabilities and net assets	<u>\$ 42,245</u>	<u>\$ 445,113</u>	<u>\$ 487,358</u>

The accompanying notes are an integral part of these financial statements.

WELLSBORO AREA SCHOOL DISTRICT
Statement of Changes in Net Assets
Fiduciary Funds
June 30, 2011

	Private purpose Trust
ADDITIONS	
Gifts and contributions	\$ 25
Total additions	25
 DEDUCTIONS	
Scholarships awarded	1,142
Total deductions	1,142
Change in net assets	(1,117)
Net assets - July 1, 2010	43,362
Net assets - June 30, 2011	\$ 42,245

The accompanying notes are an integral part of these financial statements.

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

The financial statements of the Wellsboro Area School District (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School District are described below.

The School District is a class 3 public school system in Wellsboro, Pennsylvania serving portions of Tioga and Lycoming Counties.

In accordance with the Governmental Accounting Standards Board (GASB) Codification Section 2100 "Defining the Governmental Reporting Entity", the School District has reviewed and evaluated its relationship with various agencies to determine if these agencies should be included in the annual financial statements of the school district. Those agencies reviewed and evaluated were as follows:

- Central Tioga County Joint School Authority
- Northern Tier Insurance Consortium

The criteria used to determine whether or not to include these agencies in the financial statements were:

- (1) the selection of governing body,
- (2) legally separate, and
- (3) fiscal independence

The only situation where the School District designates the management of an agency or where the School District was able to significantly influence operations was in the case of the Central Tioga County Joint School Authority. The School District has no accountability for any other agency. Except for the Central Tioga County Joint School Authority and as later noted, the School District does not fund deficits or receive the surplus funds, there is no outstanding debt of the potential component unit that is an obligation of the School District, and the School District does not contribute to a significant part of any other agency's revenues. Based on the above criteria, the School District has included the Central Tioga County Joint School Authority which was inactive in 10-11 and had no effect on the annual financial statements.

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given program are offset by program revenues. Direct *expenses* are those that are clearly identifiable with a specific program. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the district considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, and the payment of the liability will use current available financial resources. However, debt service expenditures, as well as

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies (continued)

expenditures related to compensated absences, early retirement, arbitrage rebates, and postemployment healthcare benefits, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the School District receives cash.

The School District reports the following major funds and fund types in this report:

Governmental Funds

General fund - the school district's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

Capital projects fund - accounts for resources accumulated and payment made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing education programs for all students within the School District.

Public Purpose Trust fund (expendable) - used to maintain the principal and earnings on invested principal balances in trust arrangements for school purposes.

Capital Reserve fund - accounts for funding provided for future district wide capital improvements. The current year sources of revenue was from a transfer from the General Fund.

Proprietary Funds

Enterprise Fund (Food Service) - Accounts for activities that are usually self-sustaining, all or in part, through user charges for services rendered.

The School District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Fiduciary Funds

These are the funds that account for the assets held by the school district as a trustee or agent for individuals, private organizations and/or governmental units and are therefore not available to support the school district's own programs. The funds included in this category are:

Student Activities Agency Fund - used to account for assets of the extra-curricular activities of its students.

Parks & Recreation Fund - accounts for monies held for various recreational groups.

Private Purpose Trust Fund - used to account for assets held by the school district in a trustee capacity. This fund accounts for various scholarship programs for students.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the food service fund include salaries, employee benefits, purchased services, supplies, materials, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary data

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year end, if any, are reported in the fund financial statements as reservations of fund balances.

Deposits and Investments

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Cash and cash equivalents as used in the statement of cash flows represents all checking, savings, money market accounts, and short-term certificates of deposit belonging to that fund. The proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value. Changes in the fair value of investments are recorded as investment income.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans).

Interfund transfers to the General Fund were made so the General Fund could pay expenses related to the capital reserve fund.

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Inventories

On the government-wide financial statements, United States Department of Agriculture (USDA) food commodities are recorded as revenue when received at fair value on the date of receipt and as an expense when used; USDA food commodities are not reported in the governmental funds. The governmental funds report an inventory for the natural gas held in storage. The natural gas inventory is stated at the lower of cost or market, first-in, first-out basis (FIFO).

Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The School District defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the School District are depreciated using the straight-line method over the following estimated lives:

Assets	Years
Buildings	50
Land improvements	20
Equipment	10
Furniture & fixtures	10
Vehicles	8
Library & textbooks	10

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Long-term Obligations

In the fund financial statements, governmental fund types recognized bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Net Assets and Fund Balance

District-Wide Financial Statements

When the School District incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the statement of Net Assets include the following:

Invested in Fixed Assets, Net of Related Debt - The component of net assets that reports the difference between fixed assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these fixed assets.

Unrestricted - The difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt.

Governmental Fund Financial Statements

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Committed - amounts that can be used only for specific purposes determined by a formal action of the District School Board. The District School Board is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the District School Board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the District School Board may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District School Board has provided otherwise in its commitment or assignment actions.

Revenues, Expenditures and Expenses

The School District levies a property tax based on assessed values of the real estate within the School District's borders. The assessed values are determined by the Counties. The School District levies the tax each July first, the discount period ends August 31, face period ends October 31 and the penalty period ends December 31. Uncollected taxes at December 31 are turned over to the respective County Tax Claim Bureau for collection and liens are placed against the property by the Bureau.

Vested compensated absences are accrued in proprietary fund types as they are earned by employees. In the government-wide financial statements the governmental activities also includes an amount accrued as they are earned by employees.

Substantially all employees of the School District are covered under the contributory Public School Employees' Retirement System of Pennsylvania in which the School District participates. The School District funds retirement contributions assessed by the Commonwealth. It has not been determined whether the School District's share of the actuarially computed amount of vested benefits exceeds the related assets of the Retirement System Fund.

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District carries commercial insurance for these and other risks of loss including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits, Securities and Investments

The School District's investment policies are governed by Pennsylvania Law. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of Pennsylvania or its localities.

Deposits as of June 30, 2011 appear in the financial statements as summarized below:

Cash and cash equivalents - governmental funds, balance sheet	\$	4,479,983
Cash and cash equivalents - food service funds, statement of net assets		38,093
Cash and cash equivalents - fiduciary funds, statement of net assets		<u>487,358</u>
Total cash and cash equivalents	\$	<u><u>5,005,434</u></u>

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or collateralized with securities held by the School District's agent in the School District's name, (2) uninsured, and for which the securities are held by the financial institution or its trust department in the School District's name, or (3) uncollateralized.

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

2. Deposits, Securities and Investments (continued)

At June 30, 2011, the carrying amount of the School District's deposits was \$5,005,434 and the bank balance was \$5,050,808. The School District's depositories are required to secure deposits of all "public bodies" with a pledge of collateral in accordance with Pennsylvania Pledge Act 72 (72 P.S. section 3836-1 et seq.) and therefore the School District does not have any uncollateralized deposits as of June 30, 2011.

3. Real Estate and Per Capita Taxes and Deferred Revenue

The balances at June 30, 2011 are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible
Real Estate	\$ 707,413	\$ -	\$ 707,413
Occupation & Per Capita	188,188	(141,600)	46,588
Earned Income Tax	410,009	-	410,009
Real Estate Transfer	33,364	-	33,364
TOTAL	\$ 1,338,974	\$ (141,600)	\$ 1,197,374

The deferred revenue balance in the General Fund of \$680,642 consists of deferred taxes of \$626,128, and deferred revenue for federal grants of \$54,514.

Taxes on the Statement of Activities is made up of the following:

Real Estate	\$ 9,294,526
In Lieu of Tax	93,676
Occupation & Per Capita	22,911
Earned Income	1,830,117
R/E Transfer	178,358
	<u>\$ 11,419,588</u>

4. Due from other Governmental Units

Amounts due from other governmental units were comprised of the following:

	General Fund	Food Service Fund	Total
State subsidies	\$ 309,864	\$ 4,314	\$ 314,178
Federal grants	322,650	45,132	367,782
Other government agencies	326,712	-	326,712
	<u>\$ 959,226</u>	<u>\$ 49,446</u>	<u>\$ 1,008,672</u>

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

5. Interfund Receivables, Payables and Transfers

Interfund balances at June 30, 2011 consisted of the following individual fund receivables and payables:

<u>Due to fund</u>	<u>Due from fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Food Service Fund	\$ 135,432	Payroll and benefits
General Fund	Capital Project Fund	12,401	Capital expenditures
Food Service Fund	General Fund	15,390	Subsidy Revenues
Private Purpose Trust	General Fund	2,091	Contribution
		<u>\$ 165,314</u>	

All amounts due are scheduled to be repaid within one year.

Interfund transfers for the year ended June 30, 2011 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Reserve Fund	\$ 625,838	Future capital improvements
Public Purpose Trust	General Fund	953	Salary reimbursement
Capital Projects Fund	General Fund	25,028	Debt service reimbursement
		<u>\$ 651,819</u>	

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

6. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,554,640	\$ -	\$ -	\$ 1,554,640
Total capital assets not being depreciated	<u>1,554,640</u>	<u>-</u>	<u>-</u>	<u>1,554,640</u>
Capital assets being depreciated				
Land Improvements	1,017,996	116,349	-	1,134,345
Buildings	39,459,471	15,947	-	39,475,418
Library & textbooks	788,282	-	-	788,282
Vehicles	73,787	-	-	73,787
Equipment, furniture & fixtures	<u>2,108,750</u>	<u>164,528</u>	<u>(18,852)</u>	<u>2,254,426</u>
Total assets being depreciated	<u>43,448,286</u>	<u>296,824</u>	<u>(18,852)</u>	<u>43,726,258</u>
Less Accumulated Depreciation For:				
Land Improvements	392,459	23,998	-	416,457
Buildings	9,481,180	1,222,202	-	10,703,382
Library & textbooks	788,282	-	-	788,282
Vehicles	73,787	-	-	73,787
Equipment, furniture & fixtures	<u>979,084</u>	<u>184,090</u>	<u>(17,279)</u>	<u>1,145,895</u>
Total accumulated depreciation	<u>11,714,792</u>	<u>1,430,290</u>	<u>(17,279)</u>	<u>13,127,803</u>
Total capital assets being depreciated, net	<u>31,733,494</u>	<u>(1,133,466)</u>	<u>(1,573)</u>	<u>30,598,455</u>
Governmental activities capital assets, net	<u>\$ 33,288,134</u>	<u>\$ (1,133,466)</u>	<u>\$ (1,573)</u>	<u>\$ 32,153,095</u>

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

6. Changes in Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets, being depreciated				
Equipment	\$ 650,845	\$ 2,755	\$ (5,412)	\$ 648,188
Total capital assets being depreciated	<u>650,845</u>	<u>2,755</u>	<u>(5,412)</u>	<u>648,188</u>
Less Accumulated Depreciation For:				
Equipment	<u>334,994</u>	<u>49,766</u>	<u>(5,412)</u>	<u>379,348</u>
Total accumulated depreciation	<u>334,994</u>	<u>49,766</u>	<u>(5,412)</u>	<u>379,348</u>
Total capital assets, being depreciated, net	<u>315,851</u>	<u>(47,011)</u>	<u>-</u>	<u>268,840</u>
Business-type activities capital assets, net	<u>\$ 315,851</u>	<u>\$ (47,011)</u>	<u>\$ -</u>	<u>\$ 268,840</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Instruction:

Regular	\$ 1,233,754
Special	1,059
Vocational	9,430

Support Services:

Pupil	373
Administration	61,611
Pupil Health	1,833
Business services	4,973
Operation & maintenance of plant	9,310
Central	37,278

Operation of Noninstructional Services:

Student activities	5,647
Unallocated	<u>65,022</u>
Total depreciation expense - governmental activities	<u>\$ 1,430,290</u>

Business-type activities

Cafeteria	<u>\$ 49,766</u>
Total depreciation expense - business-type activities	<u>\$ 49,766</u>

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

7. Defined Benefit Plan

School districts in the Commonwealth of Pennsylvania participate in a State administered pension program established under legislative authority, which is a cost-sharing multiple-employer public employees' retirement system (PERS). Under this cost sharing multiple employer defined benefit plan, contributions are made by each of three parties - the school district, the Commonwealth and the employee. Substantially all the School District's full-time employees, part-time employees salaried over eighty days and hourly employees working more than five hundred hours per year participate in the program. Currently, each party to the program contributes a fixed percentage of employees' gross earnings. The benefits for eligible participants consist of retirement and disability, legislative mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants.

The pension program is wholly administered, in Pennsylvania, by the state-wide, autonomous Commonwealth of Pennsylvania Public School Employees' Retirement System (The System) with offices in Harrisburg, Pennsylvania. The School District has no responsibility or authority for the operation and administration of the pension program, nor has it any related liability except for the current contribution requirements. The System issues a comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. West, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125. This CAFR is also available on the publications page of the PSERS website.

Significant amendments to the System were made in 1975 as a result of amendments to the Pennsylvania School Employees' Retirement Code (the Code) (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535) by the Pennsylvania General Assembly. Under the provisions of the code, members are eligible for monthly retirement benefits upon reaching (a) age 62; (b) age 60 and 30 or more years of service or; (c) 35 or more years of service regardless of age.

The contribution policy is established in the Public School Employees' Retirement code and requires contributions by active members, employers, and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class T-C) or at 6.50 percent (Membership Class T-D) of the member's qualifying compensation. Members who returned to public school service or joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation. Members who joined the System after June 30, 2001 contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

7. Defined Benefit Plan (continued)

membership, the higher contribution rates began with service rendered on or after January 1, 2002. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2011, the rate of employer's contribution was 5.64 percent of covered payroll. The 5.64 percent rate is composed of a pension contribution rate of 5.00 percent for pension benefits and 0.64 percent for healthcare insurance premium assistance.

For the year ended June 30, 2011 the School District contributed \$561,106 (including \$12,932 in the Food Service Fund) and employees contributed \$751,778 to the System. Such amounts represented approximately 5.49% and 7.36%, respectively, of covered payroll of \$10,212,826. The District's contributions to the System for the years ending June 30, 2010 and 2009 were \$482,081 and \$494,312, respectively, equal to the required contributions for each year.

As of June 30, 2010 and for the year then ended, the System held no securities issued by the School District or other related parties.

8. Post Employment Benefits other than Pensions

In addition to providing pension benefits, the School District provides health insurance coverage for retired employees and their dependents. Substantially all of the employees may become eligible for this benefit if they reach normal retirement age while working for the School District. The School District is obligated to pay this benefit as a result of union contracts and Board rules and regulations for nonunion employees.

Plan description - The School District administers a single-employer defined benefit healthcare plan. All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age). For administrators and teachers, an escrow account is set up in the amount of the employees highest year's salary. This account is then used to cover premiums for medical and prescription benefits.

These plans will be the same plans offered to active employees and may cover spouse and dependents. Coverage ends at retiree medicare eligibility or when the escrow account has been depleted, whichever comes first. If there are funds remaining in the account when the retiree attains medicare eligibility or if the retiree dies before reaching medicare eligibility, spouse and/or dependent coverage may continue until spouse medicare eligibility and/or dependent max age or medicare eligibility or depletion of the account, whichever comes first. Support staff employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches medicare age. In order to obtain coverage, retired support staff employees must provide payment equal to the premium determined for the purpose of COBRA.

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

8. Post Employment Benefits other than Pensions (continued)

Annual OPEB Cost and Net OPEB Obligation - The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following table shows the components of the District's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the District's OPEB obligation to the plan.

Annual required contribution	\$ 461,688
Interest on net OPEB obligation	15,408
Adjustment to annual required contribution	<u>(21,020)</u>
Annual OPEB cost (expense)	456,076
Contributions made	<u>(428,727)</u>
Increase in net OPEB obligation	27,349
Net OPEB obligation-beginning of year	<u>342,399</u>
Net OPEB obligation-end of year	<u><u>\$ 369,748</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011, and the two preceding years, were as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
06/30/09	\$ 476,315	67.9%	\$ 152,988
06/30/10	\$ 473,887	60%	\$ 342,399
06/30/11	\$ 456,076	94%	\$ 369,748

Funded Status and Funding Progress - As of April 1, 2011, the actuarial accrued liability for benefits was \$4,468,246, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,524,743 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 46.91%. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

8. Post Employment Benefits other than Pensions (continued)

financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The following actuarial assumptions and methods were made:

Interest Rate

4.50%

Salary

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 3% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 3% to 0.25%.

Withdrawal

Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 14% for both men and women and decrease with age and service.

Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
25	1.4000%	4.000%	45	0.5500%	0.5500%
30	1.4000%	4.000%	50	1.7800%	1.5000%
35	1.1000%	2.000%	55	1.7800%	3.0000%
40	0.8000%	1.000%	60	4.5000%	5.9000%

Mortality

Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension actuarial valuation.

Disability

No disability was assumed.

Retirement

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

8. Post Employment Benefits other than Pensions (continued)

Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

Age	Age 55 & 25 years of service		35 years of service, or Age 62 & 1 year of service, or Age 60 & 30 years of service	
	Male	Female	Male	Female
55	10%	10%	24%	10%
56	15%	12%	24%	10%
57	15%	12%	24%	25%
58	15%	12%	24%	25%
59	18%	17%	28%	25%
60	10%	15%	28%	25%
61	30%	30%	50%	47%
62	30%	30%	30%	30%
63	28%	20%	28%	20%
64	28%	28%	28%	28%
65	100%	100%	100%	100%

Percent of Eligible Retirees Electing Coverage in Plan

100% of all administrators, teachers and non-union administrative support staff, and 5% of union support staff are assumed to elect coverage. 0% of part time cafeteria workers who currently do not have coverage are assumed to elect coverage at retirement.

Percent Married at Retirement

50% of employees are assumed to be married and have a spouse covered by the plan at retirement.

Spouse Age

Wives are assumed to be two years younger than their husbands.

Per Capita Claims Cost

Making use of weighted averages for various plan designs, the per capita cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental costs are assumed to not vary with age or gender. The resulting costs are as follows:

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

8. Post Employment Benefits other than Pensions (continued)

Age	Medical and Prescription Drug Combined	
	Males	Females
45-49	\$ 3,899	\$ 5,632
50-54	\$ 5,164	\$ 6,365
55-59	\$ 6,290	\$ 6,660
60-64	\$ 8,208	\$ 7,651
65+	\$ 3,365	\$ 3,365

Retiree Contributions

Retiree Contributions based on Act 110/43 benefits are assumed to increase at the same rate as the Health Care Cost Trend Rate. Retiree contributions based on the current active teacher copays are assumed to be: \$40/month in 2010-2011, \$50/month in 2011-2012, \$60/month in 2012-2013 and are assumed to increase at the same rate as the Health Care Cost Trend Rate thereafter.

Health Care Cost Trend Rate

7.5% in 2010, decreasing .5% per year to 5.5% in 2014. Rates gradually decrease from 5.3% in 2015 to 4.2% in 2099 and later based on Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets

Equal to the Market Value of Assets.

Actuarial Cost Method - Entry Age Normal

Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

8. Post Employment Benefits other than Pensions (continued)

Participant Data

Based on census information provided on April 1, 2011. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2010-2011 school year.

9. General Long-Term Debt

During the fiscal year ended June 30, 2011, the School District's long-term debt changed as follows:

	Bonds/ Notes Payable	Compensated Absences	Total Long-term Debt
Beginning of year	\$ 33,572,829	\$ 154,476	\$ 33,727,305
Principal additions	27,980,000	-	27,980,000
Principal Retirement	(28,098,690)	-	(28,098,690)
Changes in Compensated Absences	-	95,848	95,849
End of Year	<u>\$ 33,454,139</u>	<u>\$ 250,325</u>	<u>\$ 33,704,464</u>
Amount due within one year	<u>\$ 1,440,058</u>	<u>\$ -</u>	<u>\$ 1,440,058</u>

The payments of general long-term debt are to be funded by the General Fund.

The future annual payments required to amortize all outstanding debt and obligations, except for the compensated absences, as of June 30, 2011, including total interest payments are as follows:

Year Ended June 30,	General Obligation Bonds/Notes		
	Interest	Principal	Total
2012	\$ 1,062,382	\$ 1,440,058	\$ 2,502,440
2013	1,032,540	1,462,841	2,495,381
2014	1,002,239	1,495,472	2,497,711
2015	963,683	1,522,580	2,486,263
2016	917,893	1,564,469	2,482,362
2017-2021	3,976,620	8,483,719	12,460,339
2022-2026	2,511,034	9,810,000	12,321,034
2027-2030	677,323	7,675,000	8,352,323
TOTAL	<u>\$ 12,143,714</u>	<u>\$ 33,454,139</u>	<u>\$ 45,597,853</u>

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

9. General Long-term Debt (continued)

General Obligation Bonds Series of 2010

The School District is the issuer of General Obligation Bonds, Series of 2010. Proceeds of these bonds were used to 1) currently refund the School District's outstanding General Obligation Bonds, Series of 2003; 2) currently refund all of the School District's outstanding General Obligation Bonds, Series of 2004; 3) currently refund all of the School District's outstanding General Obligation Note, Series of 2005; and 4) to pay costs and expenses related to issuance of the bonds. The bonds carry interest of 2.00% to 4.15% payable semi-annually on April 15 and October 15 of each year and mature April 15, 2028. The balance outstanding at June 30, 2011 was \$3,940,000.

General Obligation Bonds Series of 2007

The School district is the issuer of General Obligation Bonds, Series of 2007. Proceeds of these bonds are being used to 1) provide funds for the completion of the acquiring, constructing, equipping and furnishing alterations, additions and improvements to the former Wellsboro High School Building of the School District; 2) to the extent of available funds, to various studies in connection with the capital project; and 3) to pay the costs and expenses of issuance of the bonds. The bonds carry interest of 3.625% to 4.25% payable semi-annually on April 15 and October 15 of each year and mature April 15, 2029. The balance outstanding at June 30, 2011 was \$1,470,000.

General Obligation Bonds Series A of 2010

The School District is the issuer of General Obligation Bonds, Series A of 2010. Proceeds of these bonds were used to 1) currently refund all of the School District's outstanding General Obligation Bonds, Series of 2008; 2) to pay related costs, fees and expenses with respect to the foregoing purpose and to the issuance of the Bonds. The bonds carry interest of 2.00% to 3.63% payable semi-annually on April and October 15 of each year and mature April 15, 2030. The balance outstanding at June 30, 2011 was \$9,980,000.

General Obligation Bonds Series AA of 2010

The School District is the issuer of General Obligation Bond, Series AA of 2010. Proceeds of these bonds were used to 1) currently refund all of the School District's outstanding General Obligation Bonds, Series of 2005; and 2) to pay the costs and expenses of issuance of the bonds. The bond carries interest of 2.00% to 3.50% payable semi-annually on March 15 and September 15 of each year and mature March 15, 2022. The balance outstanding at June 30, 2011 was \$9,320,000.

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

9. General Long-term Debt (continued)

General Obligation Bonds Series AAA of 2010

The School District is the issuer of General Obligation Bonds, Series AAA of 2010. Proceeds of these bonds were used to 1) currently refund all of the School District's outstanding General Obligation Bonds, Series of 2006; and 2) pay the costs and expenses of issuance of the Bonds. The bonds carry interest of 2.00% to 4.05% payable semi-annually on March and September 15 of each year and mature March 15, 2028. The balance outstanding at June 30, 2011 was \$8,425,000.

Long-term Municipal Lease/Purchase

The School District authorized a Lease/Purchase agreement as a tax exempt obligation,. The Lease/Purchase agreement was used to contract with Chevron Energy Solutions company to implement the proposed project contract for the installation of energy conservation measures and other demand site improvements, to various buildings and facilities within the District. The lease agreement carries interest of 4.35% payable monthly and matures November 13, 2018. The balance outstanding at June 30, 2011 was \$319,139.

Compensated Absences

The School District, in accordance with the Professional Employee contracts, is required to pay the members of the bargaining unit with fifteen years of service at retirement, \$40 per day for unused sick days up to a maximum of one hundred and fifty days. The Non-Professional Employees Contract requires the School District to pay the full-time employees \$15 per day for all unused sick days accrued as of June 30, 2004 with no maximum payment amount and \$20 per day for all unused sick days accrued after July 1, 2004 with a maximum payment of \$2,000 (100 days), provided the employee has had a minimum of five years of service with the School District at retirement.

The School District and other surrounding educational institutions created a public entity risk pool, the Northern Tier Insurance Consortium, to provide adequate and affordable health, hospitalization, medical services and other insurance coverage to the School District's employees and to stabilize the cost of this insurance over the long term. The governing board of the pool is comprised of a Director from each participating educational institution. The School District maintains a financial interest in the pool which is measured based on insurance refunds the School District receives from the insurance provider less the School District's share of expenses. Financial statements of the pool are available at the business office of Intermediate Unit #17 (BLaST).

WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2011

10. Other Post-employment Benefits

In addition to the pension benefits described in Note 7, the government, in accordance with the Professional Employee contracts, provides a retirement benefit option for each employee that meet all of the following requirements:

(1) A retiring employee who has not taken a sabbatical leave except for medical reasons in the current fiscal year, or unless given a waiver by the district, and who has his/her irrevocable retirement notification (unless individual is confronted with an unforeseen situation which is accepted and approved by the Board) in writing by April 1 and meets the requirements of at least thirty (30) years of service in Pennsylvania and having served as a full-time professional employee for a minimum of fifteen (15) years in the Wellsboro Area School District, and been approved for retirement benefits by the Public School Employees' Retirement System (PSERS), may choose either (a) Dental Insurance, or (b) Medical Insurance Coverage, described below. Any full-time professional employee hired after June 30, 2005 would be required to work twenty (20) years in the Wellsboro Area School District to be eligible for this benefit as per the above requirements.

(2) Such retirement shall not only be a retirement from the Wellsboro Area School District, but from education in the public schools in the Commonwealth of Pennsylvania.

(3) Is not subject to Permanent Disability Retirement.

(a) Dental Insurance

(b) Medical Insurance Coverage

Group medical insurance coverage will be the same as the coverage provided to the active members of the Association. Coverage will be provided for a five (5) year certain period and commence at the discretion of the employee, but in no event will it be paid beyond the time the eligible employee becomes eligible for and receives coverage under a government sponsored insurance program. All employees hired prior to July 1, 2005 will retain coverage for a ten(10) year certain period and coverage will commence at the discretion of the employee but in no event will it be paid beyond the time the eligible employee becomes eligible for and receives coverage under a government sponsored insurance program. The coverage would also cease at the death of the employee and shall be provided for the employee and spouse only.

The term "district service" as used in this provision shall apply to any employee's prior service transferred from Intermediate Unit #17.

Currently, thirty nine (39) retirees meet those eligibility requirements. Expenditures for these benefits are recognized on a pay as you go basis. During the year ended June 30, 2011 net expenditures of \$366,806 were recognized under the retirement benefit option.

WELLSBORO AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances,
Budget and Actual
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local revenues	\$ 11,515,960	\$ 11,515,960	\$ 12,231,174	\$ 715,214
State program revenues	9,605,446	9,605,446	8,386,474	(1,218,972)
Federal program revenues	932,624	932,624	2,284,156	1,351,532
Total revenues	<u>22,054,030</u>	<u>22,054,030</u>	<u>22,901,804</u>	<u>847,774</u>
EXPENDITURES				
Regular programs	8,071,957	8,064,106	8,333,883	(269,777)
Special programs	2,759,278	2,940,954	2,920,715	20,239
Vocational programs	782,674	782,674	376,321	406,353
Other instructional programs	476,070	476,072	379,882	96,190
Pupil personnel services	809,118	638,273	522,151	116,122
Instructional staff services	293,658	290,679	306,077	(15,398)
Administrative services	1,598,693	1,598,691	1,622,292	(23,601)
Pupil health	241,775	241,774	228,098	13,676
Business services	365,952	346,449	298,066	48,383
Operation & maintenance of plant services	2,113,349	2,113,349	1,867,875	245,474
Student transportation services	896,414	915,923	929,754	(13,831)
Central & other support services	471,138	471,138	447,408	23,730
Other support services	33,717	33,715	16,363	17,352
Student activities	337,308	337,308	348,065	(10,757)
Community services	18,933	18,929	30,263	(11,334)
Facilities acquisition and construction	200,000	200,000	403,656	(203,656)
Debt service	2,598,996	2,598,996	1,973,167	625,829
Total expenditures	<u>22,069,030</u>	<u>22,069,030</u>	<u>21,004,036</u>	<u>1,064,994</u>
Excess of revenues (under) expenditures	<u>(15,000)</u>	<u>(15,000)</u>	<u>1,897,768</u>	<u>1,912,768</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	14,381	14,381
Interfund transfers	15,000	15,000	25,981	10,981
Sale/compensation for fixed assets	-	-	2,730	2,730
Interfund transfers - out (to other funds)	-	-	(625,838)	(625,838)
Total other financing sources	<u>15,000</u>	<u>15,000</u>	<u>(582,746)</u>	<u>(597,746)</u>
Net change in fund balance	-	-	1,315,022	1,315,022
Fund balance - July 1, 2010	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,933,924</u>	<u>433,924</u>
Fund balance - June 30, 2011	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 3,248,946</u>	<u>\$ 1,748,946</u>

See auditors' report on supplementary information.

WELLSBORO AREA SCHOOL DISTRICT
Note to Required Supplementary Information
June 30, 2011

Budgetary Data

The budgetary data reflected in the required supplementary information was established by the School Board using the Pennsylvania School Codes.

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year end, if any, are reported in the fund financial statements as reservations of fund balances.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that encumbrances are included as budgetary expenditures.

Annual legally adopted operating budgets are not adopted for Special Revenue Funds. Program budgets for these funds are approved on a basis consistent with the related funds. Project and program budgets are utilized in the Capital Projects Funds and certain Special Revenue Funds where appropriations remain open and carry over to succeeding years.

Allen, Rogers & Osgood

Certified Public Accountants

Scott S. Rogers, CPA (PA)
Edward J. Osgood, CPA (PA)
Michael L. Reimann, CPA (NY)

Gerald V. Allen, CPA (NY, PA)
Retired

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

December 19, 2011

Board of Directors
Wellsboro Area School District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wellsboro Area School District's basic financial statements. The analysis of accounts with tax collectors is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The analysis of accounts with tax collectors has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALLEN, ROGERS & OSGOOD, C.P.A.'s

WELLSBORO AREA SCHOOL DISTRICT

Analysis of Accounts With Tax Collectors

Year Ended June 30, 2011

	<u>Wellsboro Borough</u>	<u>Charleston Township</u>	<u>Delmar Township</u>
REAL ESTATE TAX			
Assessed valuation of real estate	\$ 167,049,376	\$ 138,183,887	\$ 135,874,325
Tax rate (mills)	<u>16.0827</u>	<u>16.0827</u>	<u>16.0827</u>
Taxes charged to tax collector	<u>\$ 2,686,605</u>	<u>\$ 2,222,370</u>	<u>\$ 2,185,226</u>
Taxes credited to tax collector			
Collections, net	\$ 2,483,091	\$ 2,029,927	\$ 1,999,255
Add: discounts allowed	38,500	29,343	28,143
Less: penalties imposed	<u>(15,301)</u>	<u>(11,579)</u>	<u>(13,247)</u>
Collections, at face	<u>2,506,290</u>	<u>2,047,691</u>	<u>2,014,151</u>
Taxes to tax claim bureau	<u>180,315</u>	<u>174,679</u>	<u>171,075</u>
Total credited to tax collector	<u>\$ 2,686,605</u>	<u>\$ 2,222,370</u>	<u>\$ 2,185,226</u>

	<u>Duncan Township</u>	<u>Middlebury Township</u>	<u>Shippen Township</u>
REAL ESTATE TAX			
Assessed valuation of real estate	\$ 12,860,465	\$ 52,164,935	\$ 28,489,868
Tax rate (mills)	<u>16.0827</u>	<u>16.0827</u>	<u>16.0827</u>
Taxes charged to tax collector	<u>\$ 206,831</u>	<u>\$ 838,953</u>	<u>\$ 458,194</u>
Taxes credited to tax collector			
Collections, net	\$ 187,164	\$ 741,867	\$ 404,950
Add: discounts allowed	3,265	10,582	5,984
Less: penalties imposed	<u>(1,250)</u>	<u>(4,587)</u>	<u>(2,973)</u>
Collections, at face	<u>189,179</u>	<u>747,862</u>	<u>407,961</u>
Taxes to tax claim bureau	<u>17,652</u>	<u>91,091</u>	<u>50,233</u>
Total credited to tax collector	<u>\$ 206,831</u>	<u>\$ 838,953</u>	<u>\$ 458,194</u>

	<u>Pine Township</u>	<u>Total</u>
REAL ESTATE TAX		
Assessed valuation of real estate	\$ 32,620,769	\$ 567,243,625
Tax rate (mills)	<u>14.2752</u>	<u>-</u>
Taxes charged to tax collector	<u>\$ 465,668</u>	<u>\$ 9,063,847</u>
Taxes credited to tax collector		
Collections, net	\$ 422,061	\$ 8,268,315
Add: discounts allowed	6,590	122,407
Less: penalties imposed	<u>(1,854)</u>	<u>(50,791)</u>
Collections, at face	<u>426,797</u>	<u>8,339,931</u>
Taxes to tax claim bureau	<u>38,871</u>	<u>723,916</u>
Total credited to tax collector	<u>\$ 465,668</u>	<u>\$ 9,063,847</u>

See auditors' report on supplementary information.

Allen, Rogers & Osgood

Certified Public Accountants

Scott S. Rogers, CPA (PA)
Edward J. Osgood, CPA (PA)
Michael L. Reimann, CPA (NY)

Gerald V. Allen, CPA (NY, PA)
Retired

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 19, 2011

Board of Directors
Wellsboro Area School District
Wellsboro, Pennsylvania 16901

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wellsboro Area School District as of and for the year ended June 30, 2011, which collectively comprise the Wellsboro Area School District's basic financial statements, and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wellsboro Area School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wellsboro Area School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wellsboro Area School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wellsboro Area School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

ALLEN, ROGERS & OSGOOD, C.P.A.'s

Allen, Rogers & Osgood

Certified Public Accountants

Scott S. Rogers, CPA (PA)
Edward J. Osgood, CPA (PA)
Michael L. Reimann, CPA (NY)

Gerald V. Allen, CPA (NY, PA)
Retired

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 19, 2011

Board of Directors
Wellsboro Area School District
Wellsboro, Pennsylvania 16901

Compliance

We have audited Wellsboro Area School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wellsboro Area School District's major federal programs for the year ended June 30, 2011. Wellsboro Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Wellsboro Area School District's management. Our responsibility is to express an opinion on Wellsboro Area School District's compliance based on our audit.

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

In our opinion, Wellsboro Area School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Wellsboro Area School District, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wellsboro Area School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Wellsboro Area School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wellsboro Area School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 2011. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

ALLEN, ROGERS & OSGOOD, C.P.A.'s

WELLSBORO AREA SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

<u>Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Total Received</u>	<u>Accrued (Deferred) Revenue at July 1, 2010</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2011</u>
U.S. Department of Education										
Physical Education Program (PEP Grant)	I	84.215F	Q215F100195	10-11	\$ 342,457	\$ 104,348	\$ -	\$ 128,279	\$ 128,279	\$ 23,931
Passed through the Pennsylvania Department of Education:										
Title I Improving Basic Programs	I	84.010	013-110467	10-11	556,315	482,227	-	535,910	535,910	53,683
Title I Improving Basic Programs	I	84.010	013-100467	09-10	563,124	144,294	105,998	38,296	38,296	-
Title I School Improvement	I	84.010	042-100467	09-10	47,627	47,627	-	42,487	42,487	(5,140)
Title I School Improvement	I	84.010	042-110467	10-11	56,180	8,427	-	331	331	(8,096)
Academic Achievement Awards	I	84.010	077-100467	09-10	3,600	3,120	3,120	-	-	-
Title I Delinquent	I	84.010	107-090467	08-09	46,629	13,036	(5,079)	18,115	18,115	-
Title I Delinquent	I	84.010	107-100467	09-10	45,101	24,146	(8,148)	25,376	25,376	(6,918)
Title I Delinquent	I	84.010	107-110467	10-11	26,321	10,403	-	5,920	5,920	(4,483)
Program Total						733,280	95,891	666,435	666,435	29,046
ARRA - Title I School Improvement	I	84.389	134-100467	09-10	33,049	33,049	-	27,192	27,192	(5,857)
ARRA - Title I Part A	I	84.389	127-100467	09-10	305,952	70,178	10,127	43,547	43,547	(16,504)
ARRA - Title I Part D Delinquent	I	84.389	133-100467	09-10	32,377	-	(7,516)	-	-	(7,516)
Program Total						103,227	2,611	70,739	70,739	(29,877)
Cluster Total						836,507	98,502	737,174	737,174	(831)
ARRA - Fiscal Stabilization - Basic Ed*	I	84.394	126-100467	09-10	707,095	117,849	117,899	-	-	-
ARRA - Fiscal Stabilization- Basic Ed*	I	84.394	126-110467	10-11	689,983	574,986	-	689,983	689,983	114,997
Program total						692,835	117,849	689,983	689,983	114,997
ARRA - Education Jobs Fund*	I	84.410	140-141758	10-11	408,803	408,803	-	408,803	408,803	-
Title II Improving Teacher Quality	I	84.367	020-110467	10-11	101,064	94,357	-	101,064	101,064	6,707
Title II Education Technology	I	84.318	055-100467	09-10	50,300	43,333	(3,787)	47,120	47,120	-
Drug Free Schools	I	84.186	100-100467	09-10	8,048	1,725	1,725	-	-	-
Secondary Allocation	I	84.048	380-111094	10-11	30,504	30,504	-	30,504	30,504	-
Passed through BLaST IU#17:										
IDEA grant*	I	84.027	n/a	09-10	267,776	57,776	52,925	4,851	4,851	-
IDEA grant*	I	84.027	n/a	10-11	274,974	-	-	274,974	274,974	274,974
Program total						57,776	52,925	279,825	279,825	274,974
ARRA - IDEA*	I	84.391	n/a	09-10	298,826	75,283	(12,641)	87,924	87,924	-
Cluster total						133,059	40,284	367,749	367,749	274,974
TOTAL DEPARTMENT OF EDUCATION						2,345,471	254,573	2,510,676	2,510,676	419,778

The accompanying notes are an integral part of these financial statements.

WELLSBORO AREA SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

<u>Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Total Received</u>	<u>Accrued (Deferred) Revenue at July 1, 2010</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2011</u>
<u>U.S. Department of Agriculture</u>										
Passed through the Pennsylvania Department of Agriculture:										
USDA Commodities*	I	10.555	n/a	10-11	n/a	36,909	-	30,044	30,044	(6,865)
USDA Commodities*	I	10.555	n/a	09-10	n/a	-	(12,153)	12,153	12,153	-
Passed through the Pennsylvania Department of Education:										
Lunch Hi/Low*	I	10.555	362-0000	10-11	n/a	216,817	-	254,127	254,127	37,310
Lunch Hi/Low*	I	10.555	362-0000	09-10	n/a	29,736	29,736	-	-	-
					Program Total	283,462	17,583	296,324	296,324	30,445
Severe Need Breakfast*	I	10.553	367-0000	10-11	n/a	23,995	-	28,906	28,906	4,911
Severe Need Breakfast*	I	10.553	367-0000	09-10	n/a	6,862	6,862	-	-	-
Regular Needy Breakfast*	I	10.553	365-0000	10-11	n/a	11,933	-	14,844	14,844	2,911
					Program Total	42,790	6,862	43,750	43,750	7,822
Summer Food Service*	I	10.559	264-0000	10-11	n/a	5,341	-	5,341	5,341	-
					Cluster total	331,593	24,445	345,415	345,415	38,267
TOTAL DEPARTMENT OF AGRICULTURE						331,593	24,445	345,415	345,415	38,267
TOTAL FEDERAL EXPENDITURES						\$ 2,677,064	\$ 279,018	\$ 2,856,091	\$ 2,856,091	\$ 458,045

*- major program I - Indirect n/a - Not available/applicable

The accompanying notes are an integral part of these financial statements.

WELLSBORO AREA SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2011

1. Scope of Single Audit

All 2010-11 significant federal grant operations of the Wellsboro Area School District are included in the scope of the Single Audit.

2. Period Audited

Audit testing procedures were performed for transactions occurring during the fiscal year ended June 30, 2011. Grant information is indicated in the Schedule of Expenditures of Federal Awards.

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the school district has met the qualifications for the respective grants.

(b) Accrued and Deferred Reimbursement

Various reimbursement procedures are used for Federal awards received by the School District. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year-end represent an excess of expenditures over cash reimbursements received to date. Deferred balances at year-end represent an excess of cash reimbursements received over reimbursable expenditures to date. Generally, accrued or deferred balances caused by differences in the timing of cash reimbursements and expenditures will be reversed in the remaining grant period.

4. Findings of Noncompliance

There were no findings.

WELLSBORO AREA SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

1. Summary of Audit Results

- A. An unqualified opinion was expressed on the basic financial statements.
- B. The audit disclosed no instances of noncompliance which were material to the financial statements of the District.
- C. An unqualified opinion was expressed on compliance for major federal award programs of the District.
- D. The audit disclosed no audit findings relative to major federal award programs.
- E. The major programs are as follows:

ARRA - Fiscal Stabilization - Basic Ed	84.394
ARRA - Education Jobs	84.410
<u>IDEA Cluster</u>	
ARRA - IDEA, Part B	84.391
IDEA, Part B	84.027
<u>National School Lunch Cluster</u>	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559

- F. Dollar threshold for Type A programs was programs or clusters expending \$300,000 or more. Dollar threshold for Type B programs was programs or clusters expending \$100,000 or more.
- G. The District does not qualify as a low risk auditee.

2. Findings - Financial Statement Audit

There were no findings or prior years' findings.

3. Findings and Questioned Costs - Major Federal Award Audit

There were no findings and questioned costs or prior year findings and questioned costs.