

**WELLSBORO AREA SCHOOL DISTRICT**  
**Single Audit Package**  
**For the Year Ended June 30, 2012**

**WELLSBORO AREA SCHOOL DISTRICT**

Single Audit Report Package  
For the Year Ended June 30, 2012

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WELLSBORO AREA SCHOOL DISTRICT  
Management's Discussion and Analysis (MD&A)  
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**I. Discussion and Analysis**

Management's Discussion, and Analysis (MD&A) of the Wellsboro Area School District for the fiscal year ended June 30, 2012, 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

## **II. Overview of the 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.

### **A. 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.

- 1) **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

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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.

- 2) **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 Statement of Net Assets and Statement of Activities 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.

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.

## **B. 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.

The District has three kinds of Funds:

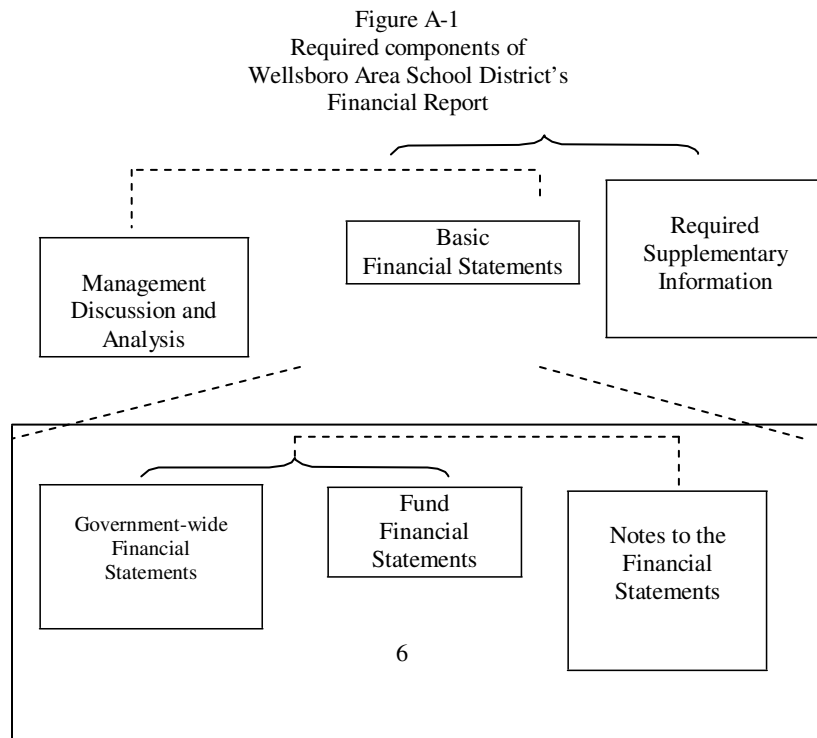
- **Governmental funds** – Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not

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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.

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, expenditures, 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; not 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 service 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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**III. Financial Highlights**

The following items are the financial highlights experienced by the Wellsboro Area School District during the fiscal year ended June 30, 2012.

- Overall net assets of the District increased \$1,626,307. This consisted of a 30.86% increase in governmental activities in the amount of \$1,605,171 and a 9.49% increase in business-type activities net assets of \$21,136.
- The District's enrollment for the 2011-12 school year was 1,621 students as compared with 1,597 during the prior year.
- The District's total revenue decreased approximately .442% from \$23,108,859 during the year ended June 30, 2011 to \$23,006,730 during the year ended June 30, 2012.
- The District's total expenses decreased approximately 3.4% from \$22,568,536 during the year ended June 30, 2011 to \$21,799,806 during the year ended June 30, 2012.

**IV. Financial Analysis of the School District as a Whole**

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

**Net Assets** - The District's total reporting entity net assets was \$5,445,834 as of June 30, 2012, an increase of \$1,626,307 from the prior year ending June 30, 2011. The components of net assets include: invested in capital assets (buildings, and, and equipment) net of related debt of \$429,300; restricted, committed, and assigned net assets for capital projects, retirement expense, and special revenue funds in the amount of \$3,563,439 and unrestricted net assets of \$1,453,095

The increase to the District's total net assets consisted of 30.86% % increase in governmental activities in the amount of \$1,605,171 and a 9.49% increase of \$21,139 to business-type activities.



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Table A-1 – Condensed Statement of Net Assets

Wellsboro Area School District  
Condensed Statement of Net Assets  
Fiscal Years ended June 30, 2012 and June 30, 2011

	Governmental Activities			Business-type Activities			Total		
	2012	2011	% Change	2012	2011	% Change	2012	2011	% Change
<b>Assets</b>									
Current and Other Assets	\$ 8,715	\$ 8,264	5.2%	\$ 61	\$ (20)	132.8%	\$ 8,776	\$ 8,244	6.1%
Capital Assets	\$ 31,382	\$ 32,153	-2.5%	\$ 218	\$ 269	-23.4%	\$ 31,600	\$ 32,422	-2.6%
<b>Total Assets</b>	<u>\$ 40,097</u>	<u>\$ 40,417</u>	-0.8%	<u>\$ 279</u>	<u>\$ 249</u>	10.8%	<u>\$ 40,376</u>	<u>\$ 40,666</u>	-0.7%
<b>Liabilities</b>									
Other Liabilities	\$ 3,727	\$ 4,186	-12.3%	\$ 35	\$ 27	22.9%	\$ 3,762	\$ 4,213	-12.0%
Long-Term Debt Outstanding	\$ 31,168	\$ 32,634	-4.7%			0.0%	\$ 31,168	\$ 32,634	-4.7%
<b>Total Liabilities</b>	<u>\$ 34,895</u>	<u>\$ 36,820</u>	-5.5%	<u>\$ 35</u>	<u>\$ 27</u>	22.9%	<u>\$ 34,930</u>	<u>\$ 36,847</u>	-5.5%
<b>Net Assets Invested in</b>									
Capital Assets - net of related debt	\$ 211	\$ (219)		\$ 218	\$ 268	-22.9%	\$ 429	\$ 49	88.6%
Restricted	\$ -	\$ 2,195					\$ -	\$ 2,195	
Unrestricted	\$ 4,991	\$ 1,621	67.5%	\$ 26	\$ (46)	0.0%	\$ 5,017	\$ 1,575	68.6%
<b>Total Net Assets</b>	<u>\$ 5,202</u>	<u>\$ 3,597</u>	30.9%	<u>\$ 244</u>	<u>\$ 222</u>	9.0%	<u>\$ 5,446</u>	<u>\$ 3,819</u>	29.9%
<b>Total Liabilities and Net Assets</b>	<u>\$ 40,097</u>	<u>\$ 40,417</u>	-0.8%	<u>\$ 279</u>	<u>\$ 249</u>	10.8%	<u>\$ 40,376</u>	<u>\$ 40,666</u>	-0.7%

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**Changes in Net Assets -** The total cost of all programs and services for the entire District was \$21,779,806, a 3.41% decrease over the prior fiscal year. District wide expenses cover a range of services with 61.12% related to Instruction and 5.00% related to Instructional Support Services, 10.40% related Administration and Financial Support Services, 4.40% to Pupil Transportation Services, 8.43% to the Operation and Maintenance of Plant Facilities Services, 5.22% to Interest on Long-Term Debt, 3.19% with the remaining 2.24 related to Student Activities, Community Services, Scholarships and Awards, and Unallocated Depreciation Expense.

Table A-2 – Changes in Net Assets from Operating Results, summarizes the results of this year's operations as a whole with prior year totals provided for comparison.

**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, 2012 and June 30, 2011									
Revenue	Governmental Activities			Business-Type Activities			Total		
	2012	2011	% Change	2012	2011	Change	2012	2011	% Change
<b>Program Revenue</b>									
Charges for service	\$ 24	\$ 36	-33.33%	\$ 395	\$ 370	6.76%	\$ 419	\$ 406	3.20%
Operating grants and contributions	4,304	5,516	-21.97%	322	357	-9.80%	4,626	5,873	-21.23%
<b>General Revenue</b>									
Taxes	11,904	11,420	4.24%	-	-	0.00%	11,904	11,420	4.24%
Grants, subsidies, and contributions	6,447	5,786	11.42%	-	-	0.00%	6,447	5,786	11.42%
Other	<u>30</u>	<u>30</u>	0.00%	<u>-</u>	<u>-</u>	0.00%	<u>30</u>	<u>30</u>	0.00%
<b>Total Revenues</b>	<u><b>\$ 22,709</b></u>	<u><b>\$ 22,788</b></u>	-0.35%	<u><b>\$ 717</b></u>	<u><b>\$ 727</b></u>	-1.38%	<u><b>\$ 23,426</b></u>	<u><b>\$ 23,515</b></u>	-0.38%
<b>Expenses</b>									
Instruction	\$ 13,324	\$ 13,286	0.29%				\$ 13,324	\$ 13,286	0.29%
Support Services	6,152	6,653	-7.53%				6,152	6,653	-7.53%
Non-instructional services	490	464	5.60%				490	464	5.60%
Debt Service - interest	1,138	1,431	-20.48%				1,138	1,431	-20.48%
Business-type	<u>-</u>	<u>-</u>	0.00%	<u>696</u>	<u>735</u>	-5.31%	<u>696</u>	<u>735</u>	-5.31%
<b>Total Expenses</b>	<u><b>\$ 21,104</b></u>	<u><b>\$ 21,834</b></u>	-3.34%	<u><b>\$ 696</b></u>	<u><b>\$ 735</b></u>	-5.31%	<u><b>\$ 21,800</b></u>	<u><b>\$ 22,569</b></u>	-3.41%
<b>Change in net assets</b>	<u><b>\$ 1,605</b></u>	<u><b>\$ 954</b></u>	68.24%	<u><b>\$ 21</b></u>	<u><b>\$ (8)</b></u>	362.50%	<u><b>\$ 1,626</b></u>	<u><b>\$ 946</b></u>	71.88%

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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 District's taxpayers and Commonwealth of Pennsylvania by each of these functions.

**Table A-3 – Net Cost of Governmental Activities**

Wellsboro Area School District  
Net Cost of Governmental Activities  
Fiscal Years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>	<u>% Change</u>	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Instruction	\$ 13,323,546	\$ 13,286,385	0.28%	\$ 10,034,491	\$ 8,852,793	13.35%
Instructional Student Support	1,090,850	1,082,424	0.78%	997,771	1,000,825	-0.31%
Administrative and Financial Support	2,266,150	2,435,423	-6.95%	2,174,094	2,360,064	-7.88%
Operation and Maintenance of Plant Services	1,837,005	2,204,582	16.67%	1,786,161	2,162,809	-17.41%
Pupil Transportation	958,434	929,792	3.08%	483,819	424,843	13.88%
Student Activities	322,342	346,544	-6.98%	283,088	298,203	-5.07%
Community Services	60,422	30,326	99.24%	57,819	28,717	101.34%
Scholarships and awards	31,520	21,679	45.39%	31,520	21,679	45.39%
Interest on Long-Term Debt	1,138,140	1,431,293	-20.48%	851,058	1,066,921	-20.23%
Unallocated depreciation expense	<u>75,370</u>	<u>65,022</u>	<u>15.91%</u>	<u>75,370</u>	<u>65,022</u>	<u>15.91%</u>
	<u>\$ 21,103,779</u>	<u>\$ 21,833,470</u>	<u>-3.34%</u>	<u>\$ 16,775,191</u>	<u>\$ 16,281,876</u>	<u>3.03%</u>

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Table A-4 reflects the activities of the Food Service Program, the only Business-Type activities 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, 2012 and 2011

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2012</u>	<u>2011</u>	<u>% Change</u>	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Food Service	<u>\$ 696,027</u>	<u>\$ 735,066</u>	<u>-5.31%</u>	<u>\$ 21,105</u>	<u>\$ (7,912)</u>	<u>366.70%</u>

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

The narrative that follows considers the operations of governmental activities, along with revenue and net costs percentage for governmental activities.

Governmental Activities – Revenue

The District's Governmental Funds Revenue totaled \$22,594,622 for the fiscal year ended June 30, 2012. This represents a 1.596% decrease over the revenues for fiscal year 2010-11. 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 of \$21,688,565 cover a range of services with 56.29% related to instruction, 28.23% related to support services, 1.88% related to non-instructional services, 2.12% related to facility acquisition/construction/improvements, and the remaining 11.48% related to debt service.

As mentioned above, the total cost of all 2011-12 fiscal year Governmental Funds programs and services of the District totaled \$21,688,565. The 2011-12 total governmental expenditures increased by \$126,621 over the prior year. The increase is due in part to the pre-scheduled increase of \$517,000 to the District's debt service expense, which was offset by the 2011-12 reduction to the Capital Projects Fund for bond refinancing cost associated with the bond refinancing activities during 2010-10. Non-instructional Services saw a slight decrease of 4.189% due to reduction of Capital outlay/Projects over the prior 2010-11 fiscal year.

- The District's Other Financing Uses decreased \$457,488, primarily as a

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result refinancing of the Series of 2005 and 2006 General Obligation Bonds and the 2008 General Obligation Note during the 2010-11 fiscal year. There were no bond refinancing activities during the 2011-12 fiscal year.

- For Governmental Activities, the district's 2011-12 Operating Grants and Contributions decreased approximately \$1,211,600 or 21.97% from the 2010-11 fiscal year. Operating Grants & Contributions are Program Revenues received from state and federal grants which subsidized various programs of the District. The 2011-12 decrease is attributed to a 41.85% decrease to Federal Funding related to the AARA Federal Stimulus Funding provided to school districts for the 2009-10 and 2010-11 fiscal years. The ARRA – Education Jobs Funds allocation to our district also decreased 98.5% or \$402,762 from the 2010-11 fiscal year.
- Most of the District's net costs (16.775 million) were financed by real property taxes, grants, and state subsidies.

**V. 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.

**General Fund**

- 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 \$1,752,000 which was offset by decreases to taxes receivable and other accounts receivable of \$186,400 and \$689,884 respectively.
- General Fund liabilities decreased 4.34% or \$118,219 from the prior year. The

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decrease was associated with a \$311,700 decrease to accounts payable and payables to other funds; an \$84,400 decrease to deferred revenues offset by a \$278,800 increase to accrued salaries, benefits, payroll deductions and withholdings.

- The General Fund's total Fund Balance as of June 30, 2012 was \$4,243,265, an increase of \$994,321. The Restricted Fund Balance of \$4,620 is related to the district's payroll and athletic funds; the Assigned Fund Balance is comprised of two reserves: \$1,477,275 and \$1,034,170 for future employer retirement and health insurance expenses respectively, with the Unassigned Fund Balance totaling \$1,727,200 as of June 30, 2012.
- General Fund total revenues decreased \$366,635 or 1.597% from the prior year's revenues.

Tax revenues of \$11,792,002 represent approximately 52.3% of the District's General Fund revenue for the year ended June 30, 2012. Tax revenue is generated from local real estate tax, interim real estate tax, earned income tax, local service tax, and 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 3.41% or approximately \$281,793 over prior year collections. This increase was due to raising real estate millage from 2010-11 rates of 16.0827 for Tioga County and 14.2752 for Lycoming County to 2011-12 millage rates of 16.7545 for Tioga County and 14.2833 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 a 32.52% decrease to its delinquent real estate tax collections during this current fiscal year. This \$378,650 decrease follows the one time increase to delinquent real estate taxes the district experienced during the 2010-11 fiscal year. This decrease was somewhat offset by increases to Payments in Lieu of Taxes of \$112,831, Earned Income Taxes of \$131,880, and Real Estate Transfer Tax collections of \$20,393.

The school district's 2011-12 Earned Income Tax Collections were \$181,880 or 7.21% higher than 2010-11 fiscal year collections. This increase pales in comparison to the 24.18% increase the district experienced in 2010-11. These increases have been credited 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. The Natural Gas Drilling activities in the Wellsboro Area School District have subsided somewhat during the past 18 months, due to the lower than desirable natural gas market rate. The district's manufacturing facilities continue to operate close to maximum production, while local retail businesses have experienced a leveling off period during the past year, due to the downturn to the Marcellus Shale Natural Gas Drilling activities in the area.

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Other local revenues decreased approximately \$62,099 or 9.98% over the prior year other revenues. These local revenue sources included a decrease of approximately \$12,641 to American Recovery and Reinvestment Act of 2009 (ARRA)/Stimulus - IDEA Pass Through Funds; an 18.23% decrease or \$52,390, 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 slight increase of \$4,214 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 District's General Fund Revenues from State sources of \$8,864,670 represent or 39.31% of total General Fund revenues. Total State Revenue increased \$69,393 or .79% over the previous fiscal year. The District's Basic Education Funding Subsidy increased \$300,600 or 5.57% over the prior year's subsidy. Revenue for Retirement increased 55.53% for the 2011- 12 fiscal year, which corresponds with the 53.37% increase to the employer's retirement contribution expense rate for the 2011-12 fiscal year. Several State Revenue Sources experienced decreases from the prior year; these include a 5.88% decrease to the district's Pupil Transportation Subsidy, a decrease of \$140,584 to the Pennsylvania Accountability Block Grant, and elimination of funding for reimbursement for Charter School Tuition and Dual Enrollment Grant and Classrooms for the Future totaling a reduction of \$306,400 in State Funding for the current fiscal year. State reimbursement for Rental and Sinking Fund Payments decreased \$77,289 during 2011-12 due to the decrease to the districts debt service/bond payments resulting from the refinancing of General Obligation Bonds during the 2010-11 fiscal year.

2011-12 fiscal year General Fund Federal Revenues totaled \$1,328,278 which represents 5.89% of the General Fund's revenues. This represents a 29.17% or \$547,074 decrease to Federal Fund from the prior year receipts. The decrease is attributed to the termination of ARRA – State Fiscal Stabilization Funding which totaled \$689,983 for the 2010-11 fiscal year.

2011-12 was the second of three years of participation with the Carol M. White Physical Education Program (PEP) Grant. Receipts for the PEP Grant totaled \$290,736 for 2011-12. Objectives of the PEP grant are to 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.

Other Financing Sources for the district's General Fund decreased \$40,302 to \$2,790 for 2011-12. The district received approximately \$14,380 one-time revenues in

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2010-11 from proceeds from refunding its 2005 and 2006 General Obligation Bonds and the Series of 2008 General Obligation Notes and \$25,980 in interfund transfers for district capital projects which amounted to \$40,362, revenues not realized during the 2011-12 fiscal year, The Other Financing Source revenues received during 2011-12 of \$2,790 were from the sale or compensation for loss of fixed assets.

- General Fund total expenditures increased \$522,092 or 2.486% 0.25% over the prior year General Fund expenditures.

The district's General Fund salary and wage expenses decreased approximately .136% or \$13,965 from the prior year. Contracted labor cost increases were offset by reducing the full time status of sixteen teacher and student aides to part time for the 2011-12 school year. Also, during the 2010-11 fiscal year, the Board of Directors accepted the resignation of the district's prior superintendent contingent upon an early buyout of the remainder of his contract, which would have expired June 30, 2012. As a result of agreeing to the early buyout agreement, the district compensated the prior Superintendent his balance of contract and also hired a new Superintendent to fill the position effective with the 2010-11 fiscal year at a cost of \$205,247. The salary difference between the compensation for the Superintendent position for 2011-12 and 2010-11 fiscal year was \$99,475,

Due to budget constraints, the district furloughed three full time teachers prior to the beginning of the 2011-12 school year, one of which was returned to service in March 2012. The district also rehired a teacher, effective August 2011, who had been furloughed during the 2010-11 fiscal year.

Employee related benefits increased 4.467% or \$164,700 over the fiscal year ending June 30, 2011. Benefit increases were attributable to a 53.36% increase, approximately \$301,096, to the employer retirement expense rate for the 2011-12 fiscal year and a 10% increase to health insurance premiums. The increase was offset by a decrease to the total 2011-12 health insurance expense of approximately \$175,752 due to the change to the full time status of 16 full time teacher and student aides to a part time status for which the employees do not qualify to receive health insurance benefits.

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. 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



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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.

The District's pupil tuition to Pennsylvania Cyber Charter Schools decreased for a second year by \$33,900 from the prior year. Tuition to other Pennsylvania educational facilities and approved private facilities which provided educational services to district resident students decreased by \$38,013 or 30.55% from the 2010- 11 fiscal year. These tuition costs are driven by the number of days Wellsboro School District resident students are in attendance with other school districts, cyber charter schools, or approved private schools as well as the type of services provided to the students.

Funds spent for regular instructional programs teaching supplies, materials, and purchased services net of teaching salaries and benefits increased \$69,393 or 15.27% during the 2011-12 fiscal year.

The district 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 district spent \$20,197 during 2011-12 for the Learning Focus initiative..

The district experienced a 5.28% decrease to its electric utility kilowatt usage during the 2011-12 and a \$171,280 decrease to the cost the 2011-12 electricity due to the decrease in kilowatt hours and decrease to the generation, transmission, and distribution costs of the electricity due to the deregulation of electric rates.

### **Special Revenue (Athletic Fund)**

The District's Athletic Fund revenue for the 2011-12 fiscal year totaled \$20,186 which was approximately \$10,668 less than revenues received for the fiscal year ended June 30, 2011. Athletic fund expenditures for the 2011-12 fiscal year totaled \$21,755 which includes a \$9, 000 fund transfer to the General Fund. Expenditures for the 2011-12 fiscal year decreased approximately 34% or \$11,134 for the 2010-11 fiscal year expenditures.

### **Capital Projects Fund**

The District's Capital Projects - Stadium Project Fund Balance of \$170,369 is reserved for expenditures associated with the district's Athletic Stadium Renovation Project. As noted above, due to fifty years of deteriorations, the

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Wellsboro Community Athletic Complex Stadium was recently condemned for use due to structural issues and code violations. The District removed its spectator bleachers and the press box storage building during the 2011-12 fiscal year.

With the intend of developing the facility, the Wellsboro Area School District is partnering with the Wellsboro Area Education Foundation, local groups, as well as private and corporate donations to obtain adequate funding for the completion of a new facility that will include new home and visitor bleachers, ADA compliant venue accessibility and rest rooms, synthetic playing surface, 7 running track team rooms, storage building, concession stand, lighting, sound system, reoriented softball field, family picnic area and a dedication area for the relocated "School Bell". The projected cost for this project is \$5.5 million. The district and Foundation have contracted with Highland Associates 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 the project.

**Capital Improvement Fund**

The Wellsboro School District Board of Directors established a Capital Improvement Fund during the 2010-11 fiscal year specifically for funding future district wide capital improvements. The Capital Improvement Fund's Fund Balance as of June 30, 2011 was \$518,552. Expenses for the 2011-12 fiscal year totaled \$109,560 and were used exclusively for the purchase of the district wide telecommunication system that was installed during the 2011-12 fiscal year.

**VI. Capital Assets and Debt Administration**

**Capital Assets** - At June 30, 2012, the School District had \$31,271,517 in Governmental Funds Capital Assets and \$218,008 in Business Type Funds Capital Assets. These funds are 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 \$770,578 for Governmental Activities and a decrease of \$50,832 from Business Activities from June 30, 2011.

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

Wellsboro Area School District  
Capital Assets (net of depreciation)  
Governmental and Business-Type Activities Fiscal Years ended  
June 30, 2012 and June 30, 2011

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total</u>		
			<u>%</u>			<u>%</u>			<u>%</u>
	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
Land	1,554,640	1,554,640	0.00%	-	-	-	1,554,640	1,554,640	0.00%
Site Improvements	923,106	717,888	28.59%	-	-	-	923,106	717,888	28.59%
Buildings & Improvements	27,632,213	28,772,036	-3.96%	-	-	-	27,632,213	28,772,036	-3.96%
Furniture & equipment	<u>1,272,558</u>	<u>1,108,531</u>	<u>14.80%</u>	<u>218,008</u>	<u>268,840</u>	<u>-18.91%</u>	<u>1,490,566</u>	<u>1,377,371</u>	<u>8.22%</u>
	<u>\$31,382,517</u>	<u>\$32,153,095</u>	<u>-2.40%</u>	<u>\$218,008</u>	<u>\$218,008</u>	<u>-18.91%</u>	<u>\$31,600,525</u>	<u>\$32,421,935</u>	<u>-2.53%</u>

General Fund and Capital Project Fund Payments for Facilities Acquisition, Construction and Improvement Services were approximately \$436,000 for the 2011-12 fiscal year.

The 2011-12 projects are summarized as follows:

- 1) District wide telecommunications system - \$109,560
- 2) The district implemented the initial phase of the installation of a district wide security camera system during the 2011-12 fiscal year. The 2011-12 installation phase included the purchase of system infrastructure to support the security camera system in five locations, with a cost of \$48,000. When completed, the security system will have the capability to support one hundred plus cameras located in and around the district's buildings, playgrounds, and sports facilities
- 3) Completed ½ of the roof replacement project for the Administration Building started during the 2010-11 fiscal year. The total cost for the roof replacement project was \$305,266, with \$24,769 being allocated to the 2011-12 fiscal year.
- 4) High School Auxiliary Gymnasium Floor replacement due to water damage - \$5,000. The High School Auxiliary Gymnasium Floor was replaced due to water damage when an overhead sprinkler was hit by an errant baseball. The total cost to replace the floor was \$128,250, with the district's insurance paying \$123,250 of the cost, leaving the deductible of \$5,000 to be paid from the General Fund

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- 5) High School Bleacher demolition and removal - \$11,134  
 As a result of deterioration from over fifty years of usage, the Wellsboro Community Athletic Complex Stadium was recently condemned for use due to structural deterioration and code violations. The present facility has safety issues that affected all community members, athletes, coaches and spectators. These issues include lights that are forty years old, overhead electrical lines and several pertinent issues related to the playing surface and all athletic related fields within the complex.

Due to the safety concerns with the bleachers, the District had all bleachers and the press box storage building removed during the 2011-12 fiscal year.

- 6) Paving of High School and Administration entrances and parking lots –  
 \$232,379
- 7) Rock L. Butler Middle School Entrance Doors replacement -  
 \$5,190

**Long-term Debt Administration**

Bond Obligations – As of June 30, 2012 and June 30, 2011 the Wellsboro Area School District has outstanding bond obligations of \$32,014,113 and \$33,454,139 respectively. The payments of general long-term debt are to be funded by the General Fund.

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

Wellsboro Area  
 School District  
 Outstanding  
 Long-term Debt  
 Fiscal Years ended June 30, 2012 and June 30, 2011

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Bonds/Notes Payable	\$ 32,014,113	33,454,139	-4.30%
Compensated Absences and Other Post-Employment Benefits	<u>240,344</u>	<u>250,325</u>	<u>-2.91%</u>
	\$ 32,257,157	33,704,464	-4.29%
	=====		

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**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 employer retirement rates; collective bargaining agreement with the Wellsboro Area Education 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, and 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

May 8, 2013

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, 2012, 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, 2012 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 May 8, 2013 on our consideration of Wellsboro Area School District's internal control over financial reporting and on 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, 2012**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 5,753,323	\$ 42,871	\$ 5,796,194
Taxes receivable (net)	1,152,568	-	1,152,568
Internal balances	20,814	(20,814)	-
Due from other governments	35,899	-	35,899
State revenue receivable	199,388	3,321	202,709
Federal revenue receivable	180,869	34,149	215,018
Other receivables	217,933	-	217,933
Inventories	54,435	1,333	55,768
Prepaid expenses	1,099,444	-	1,099,444
Total current assets	<u>8,714,673</u>	<u>60,860</u>	<u>8,775,533</u>
<b>Non-current assets</b>			
Land	1,554,640	-	1,554,640
Land improvements (net)	923,106	-	923,106
Building & building improvements (net)	27,632,213	-	27,632,213
Vehicles, furniture & equipment (net)	1,272,558	218,008	1,490,566
Total noncurrent assets	<u>31,382,517</u>	<u>218,008</u>	<u>31,600,525</u>
<b>Total assets</b>	<u>\$ 40,097,190</u>	<u>\$ 278,868</u>	<u>\$ 40,376,058</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$ 530,620	\$ 33,633	\$ 564,253
Current portion of long-term debt	1,462,841	-	1,462,841
Short term payables	256,556	-	256,556
Accrued salaries and benefits	1,200,809	-	1,200,809
Payroll deductions and withholdings	252,691	-	252,691
Deferred revenues	171	1,332	1,503
Other current liabilities	23,870	-	23,870
Total current liabilities	<u>3,727,558</u>	<u>34,965</u>	<u>3,762,523</u>
<b>Noncurrent liabilities:</b>			
Bonds payable	30,551,272	-	30,551,272
Long-term portion of compensated absences	243,044	-	243,044
Other Post Employment Benefits	373,385	-	373,385
Total noncurrent liabilities	<u>31,167,701</u>	<u>-</u>	<u>31,167,701</u>
<b>Total liabilities</b>	<u>34,895,259</u>	<u>34,965</u>	<u>34,930,224</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	211,292	218,008	429,300
Unrestricted	4,990,639	25,895	5,016,534
Total net assets	<u>5,201,931</u>	<u>243,903</u>	<u>5,445,834</u>
<b>Total liabilities and net assets</b>	<u>\$ 40,097,190</u>	<u>\$ 278,868</u>	<u>\$ 40,376,058</u>

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



**WELLSBORO AREA SCHOOL DISTRICT**

**Statement of Activities**

**Year Ended June 30, 2012**

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	\$ 13,323,546	\$ -	\$ 3,289,055	\$ (10,034,491)	\$ -	\$ (10,034,491)
Instructional student support	1,090,850	-	93,079	(997,771)	-	(997,771)
Admin. & finl. support services	2,266,150	-	92,056	(2,174,094)	-	(2,174,094)
Op. & main. of plant services	1,837,005	-	50,844	(1,786,161)	-	(1,786,161)
Pupil transportation	958,434	-	474,615	(483,819)	-	(483,819)
Student activities	322,342	24,331	14,923	(283,088)	-	(283,088)
Community services	60,422	-	2,603	(57,819)	-	(57,819)
Scholarships and awards	31,520	-	-	(31,520)	-	(31,520)
Interest on long-term debt	1,138,140	-	287,082	(851,058)	-	(851,058)
Unallocated depreciation expense	75,370	-	-	(75,370)	-	(75,370)
Total governmental activities	<u>21,103,779</u>	<u>24,331</u>	<u>4,304,257</u>	<u>(16,775,191)</u>	<u>-</u>	<u>(16,775,191)</u>
Business-type activities:						
Food service	696,027	395,052	322,080	-	21,105	21,105
Total primary government	<u>\$ 21,799,806</u>	<u>\$ 419,383</u>	<u>\$ 4,626,337</u>	<u>(16,775,191)</u>	<u>21,105</u>	<u>(16,754,086)</u>
General revenues:						
Taxes:						
Taxes, levied for general purpose, net				11,903,541	-	11,903,541
Grants, subsidies, & contributions not restricted				6,446,572	-	6,446,572
Investment earnings				27,459	31	27,490
Miscellaneous income				2,790	-	2,790
Total general revenues				<u>18,380,362</u>	<u>31</u>	<u>18,380,393</u>
Change in net assets				1,605,171	21,136	1,626,307
Net assets - beginning				<u>3,596,760</u>	<u>222,767</u>	<u>3,819,527</u>
Net assets -ending				<u>\$ 5,201,931</u>	<u>\$ 243,903</u>	<u>\$ 5,445,834</u>

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

**WELLSBORO AREA SCHOOL DISTRICT**

**Balance Sheet**

**Governmental Funds**

**June 30, 2012**

	<u>General Fund</u>	<u>Public Purpose Trust</u>	<u>Capital Reserve</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 4,962,715	\$ 78,839	\$ 518,552	\$ 193,217	\$ 5,753,323
Taxes receivable (net)	1,152,568	-	-	-	1,152,568
Due from other funds	43,686	-	-	-	43,686
Due from other governments	35,899	-	-	-	35,899
State revenue receivable	199,388	-	-	-	199,388
Federal revenue receivable	180,869	-	-	-	180,869
Other receivables	217,933	-	-	-	217,933
Inventories	54,435	-	-	-	54,435
<b>TOTAL ASSETS</b>	<b>\$ 6,847,493</b>	<b>\$ 78,839</b>	<b>\$ 518,552</b>	<b>\$ 193,217</b>	<b>\$ 7,638,101</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities					
Due to other funds	\$ -	\$ 24	\$ -	\$ 22,848	\$ 22,872
Accounts payable	530,620	-	-	-	530,620
Accrued salaries and benefits	1,200,809	-	-	-	1,200,809
Payroll deductions and withholdings	252,691	-	-	-	252,691
Deferred revenues	596,238	-	-	-	596,238
Other current liabilities	23,870	-	-	-	23,870
Total liabilities	<u>2,604,228</u>	<u>24</u>	<u>-</u>	<u>22,848</u>	<u>2,627,100</u>
Fund balances					
Restricted fund balance	4,620	78,815	518,552	170,369	772,356
Assigned fund balance	2,511,445	-	-	-	2,511,445
Unassigned fund balance	1,727,200	-	-	-	1,727,200
Total fund balances	<u>4,243,265</u>	<u>78,815</u>	<u>518,552</u>	<u>170,369</u>	<u>5,011,001</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,847,493</b>	<b>\$ 78,839</b>	<b>\$ 518,552</b>	<b>\$ 193,217</b>	<b>\$ 7,638,101</b>

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, 2012**

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**Total Fund Balances - Governmental Funds** \$ 5,011,001

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 \$45,957,986 and the accumulated depreciation is \$14,575,469. 31,382,517

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. 596,067

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	\$ (32,014,113)	
Prepaid expenses	1,099,444	
Accrued interest on the bonds	(256,556)	
Compensated absences	(243,044)	
Other post employment benefits	(373,385)	
	(31,787,654)	(31,787,654)

**Total Net Assets - Governmental Activities** \$ 5,201,931

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, 2012**

	General Fund	Public Purpose Trust	Capital Reserve	Capital Projects Funds	Total
<b>REVENUES</b>					
Local sources	\$ 12,352,360	\$ 45,812	\$ 2,274	\$ 1,228	\$ 12,401,674
State sources	8,864,670	-	-	-	8,864,670
Federal sources	1,328,278	-	-	-	1,328,278
Total revenues	<u>22,545,308</u>	<u>45,812</u>	<u>2,274</u>	<u>1,228</u>	<u>22,594,622</u>
<b>EXPENDITURES</b>					
Instruction	12,207,590	-	-	-	12,207,590
Support services	6,111,711	11,253	-	-	6,122,964
NonInstructional services	377,123	31,520	-	-	408,643
Capital outlay	339,311	-	109,560	10,103	458,974
Debt service (principal & interest)	2,490,394	-	-	-	2,490,394
Total expenditures	<u>21,526,129</u>	<u>42,773</u>	<u>109,560</u>	<u>10,103</u>	<u>21,688,565</u>
Excess (deficiency) of revenues over expenditures	<u>1,019,179</u>	<u>3,039</u>	<u>(107,286)</u>	<u>(8,875)</u>	<u>906,057</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers - in	-	-	-	27,649	27,649
Sale/compensation for fixed assets	2,790	-	-	-	2,790
Interfund transfers - out	(27,649)	-	-	-	(27,649)
Total other financing sources (uses)	<u>(24,859)</u>	<u>-</u>	<u>-</u>	<u>27,649</u>	<u>2,790</u>
Net change in fund balances	994,320	3,039	(107,286)	18,774	908,847
Fund balance, July 1, 2011	<u>3,248,945</u>	<u>75,776</u>	<u>625,838</u>	<u>151,595</u>	<u>4,102,154</u>
Fund balance, June 30, 2012	<u>\$ 4,243,265</u>	<u>\$ 78,815</u>	<u>\$ 518,552</u>	<u>\$ 170,369</u>	<u>\$ 5,011,001</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, 2012**

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**Total net change in fund balances - governmental funds** \$ 908,847

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	\$ 692,745	
Depreciation expense	<u>(1,463,323)</u>	(770,578)

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.

111,539

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	\$ 1,440,026	
Amortization of Bond Costs	<u>(94,802)</u>	1,345,224

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.

7,029

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.

(4,171)

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.

7,281

**Total net change in net assets of governmental activities** \$ 1,605,171

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

**WELLSBORO AREA SCHOOL DISTRICT**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2012**

	Food Service
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 42,871
Due from other governments	37,470
Inventories	1,333
Total current assets	81,674
Noncurrent assets:	
Furniture & equipment	218,008
Total noncurrent assets	218,008
Total assets	\$ 299,682
<b><u>LIABILITIES AND NET ASSETS</u></b>	
Current liabilities:	
Due to other funds	\$ 20,814
Accounts payable	33,633
Deferred revenues	1,332
Total current liabilities	55,779
Net Assets:	
Invested in capital assets	218,008
Unrestricted	25,895
Total net assets	243,903
Total liabilities and net assets	\$ 299,682

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, 2012**

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	Food Service
<b>OPERATING REVENUES</b>	
Food service revenue	\$ 394,876
Charges for services	176
Total operating revenues	395,052
 <b>OPERATING EXPENSES</b>	
Salaries	4,145
Employee benefits	26,245
Purchased professional and technical services	2,481
Purchased property services	6,140
Other purchased services	571,049
Supplies	35,133
Depreciation	50,832
Dues and fees	2
Total operating expenses	696,027
Operating loss	(300,975)
 <b>NONOPERATING REVENUES</b>	
Earnings on investments	31
State sources	25,934
Federal sources	296,146
Total nonoperating revenues	322,111
Change in net assets	21,136
Total net assets - July 1, 2011	222,767
Total net assets - June 30, 2012	\$ 243,903

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

**WELLSBORO AREA SCHOOL DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**June 30, 2012**

	<u>Food Service</u>
<b>Cash flows from operating activities</b>	
Cash received from users	\$ 410,441
Cash payments to employees for services	(31,082)
Cash payments to suppliers for goods and services	(682,445)
Net cash used for operating activities	(303,086)
<b>Cash flows from non-capital financing activities</b>	
State sources	280,906
Federal sources	26,927
Net cash provided by non-capital financing activities	307,833
<b>Cash flows from investing activities</b>	
Earnings on investments	31
Net cash provided by investing activities	31
<b>Net increase in cash and cash equivalents</b>	4,778
Cash and cash equivalents beginning of year	38,093
Cash and cash equivalents at year end	\$ 42,871
<b>Reconciliation of operating loss to net cash used for operating activities</b>	
Operating loss	\$ (300,975)
<b>Adjustments to reconcile operating loss to net cash used for operating activities</b>	
Depreciation	50,832
Donated commodities	26,223
Decrease in accounts receivable	15,390
Decrease in inventories	6,131
Decrease in accounts payable	(99,994)
Decrease in accrued salaries benefits	(693)
Total adjustments	(2,111)
Cash used for operating activities	\$ (303,086)

**Noncash Transactions**

During the year the District received \$26,223 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, 2012**

	Private purpose Trust	Agency Funds		Total
		Activity	Parks & Recreation	
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 41,185	\$ 112,742	\$ 117,406	\$ 271,333
Investments	-	-	238,870	238,870
Total assets	<u>\$ 41,185</u>	<u>\$ 112,742</u>	<u>\$ 356,276</u>	<u>\$ 510,203</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
Other current liabilities	\$ -	\$ 112,742	\$ 356,276	\$ 469,018
Total liabilities	<u>-</u>	<u>112,742</u>	<u>356,276</u>	<u>469,018</u>
Net assets				
Restricted for legal purposes	41,185	-	-	41,185
Total net assets	<u>41,185</u>	<u>-</u>	<u>-</u>	<u>41,185</u>
Total liabilities and net assets	<u>\$ 41,185</u>	<u>\$ 112,742</u>	<u>\$356,276</u>	<u>\$ 510,203</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, 2012**

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	Private purpose Trust
<b>ADDITIONS</b>	
Gifts and contributions	\$ 137
Interest income	17
Total additions	154
 <b>DEDUCTIONS</b>	
Other deductions	1,214
Total deductions	1,214
Change in net assets	(1,060)
Net assets - July 1, 2011	42,245
Net assets - June 30, 2012	\$ 41,185

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

# WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2012

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## 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 11-12 and had no effect on the annual financial statements.

# WELLSBORO AREA SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2012

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### 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, 2012

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## 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, 2012

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## 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, 2012

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## 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, 2012

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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:

<u>Assets</u>	<u>Years</u>
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, 2012

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## 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, 2012, 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, 2012

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## 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, 2012

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## 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, 2012 appear in the financial statements as summarized below:

Cash and cash equivalents - governmental funds, balance sheet	\$	5,753,323
Cash and cash equivalents - food service funds, statement of net assets		42,871
Cash and cash equivalents - fiduciary funds, statement of net assets		<u>271,333</u>
Total cash and cash equivalents	\$	<u><u>6,067,527</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, 2012

2. Deposits, Securities and Investments (continued)

At June 30, 2012, the carrying amount of the School District's deposits was \$6,067,527 and the bank balance was \$6,361,918. 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, 2012.

3. Real Estate and Per Capita Taxes and Deferred Revenue

The balances at June 30, 2012 are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible
Real Estate	\$ 723,709	\$ -	\$ 723,709
Earned Income Tax	394,613	-	394,613
Real Estate Transfer	34,246	-	34,246
<b>TOTAL</b>	<b>\$ 1,152,568</b>	<b>\$ -</b>	<b>\$ 1,152,568</b>

The deferred revenue balance in the General Fund of \$596,238 consists of deferred taxes of \$596,067, and deferred revenue for federal grants of \$171.

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

Real Estate	\$ 9,507,830
In Lieu of Tax	206,507
Occupation priv	28,456
Earned Income	1,961,997
R/E Transfer	198,751
	<b>\$ 11,903,541</b>

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	\$ 199,388	\$ 3,321	\$ 202,709
Federal grants	180,869	34,149	215,018
Other government agencies	35,899	-	35,899
	<b>\$ 416,156</b>	<b>\$ 37,470</b>	<b>\$ 453,626</b>

**WELLSBORO AREA SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2012

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5. Interfund Receivables, Payables and Transfers

Interfund balances at June 30, 2012 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	\$ 20,814	Operating expenditures
General Fund	Capital Project Fund	22,848	Capital expenditures
General Fund	Private Purpose Trust	24	Contribution
		<u>\$ 43,686</u>	

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

Interfund transfers for the year ended June 30, 2012 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Project Fund	<u>\$ 27,649</u>	Capital improvements

**WELLSBORO AREA SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2012

6. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
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	1,134,345	232,379	-	1,366,724
Buildings	39,475,418	84,578	-	39,559,996
Library & textbooks	788,282	-	-	788,282
Vehicles	73,787	-	-	73,787
Equipment, furniture & fixtures	2,254,426	375,788	(15,657)	2,614,557
Total assets being depreciated	<u>43,726,258</u>	<u>692,745</u>	<u>(15,657)</u>	<u>44,403,346</u>
Less Accumulated Depreciation For:				
Land Improvements	416,457	27,161	-	443,618
Buildings	10,703,382	1,224,401	-	11,927,783
Library & textbooks	788,282	-	-	788,282
Vehicles	73,787	-	-	73,787
Equipment, furniture & fixtures	1,145,895	211,761	(15,657)	1,341,999
Total accumulated depreciation	<u>13,127,803</u>	<u>1,463,323</u>	<u>(15,657)</u>	<u>14,575,469</u>
Total capital assets being depreciated, net	<u>30,598,455</u>	<u>(770,578)</u>	<u>-</u>	<u>29,827,877</u>
Governmental activities capital assets, net	<u>\$ 32,153,095</u>	<u>\$ (770,578)</u>	<u>\$ -</u>	<u>\$ 31,382,517</u>

**WELLSBORO AREA SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2012

6. Changes in Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital assets, being depreciated				
Equipment	\$ 648,188	\$ -	\$ -	\$ 648,188
Total capital assets being depreciated	<u>648,188</u>	<u>-</u>	<u>-</u>	<u>648,188</u>
Less Accumulated Depreciation For:				
Equipment	<u>379,348</u>	<u>50,832</u>	<u>-</u>	<u>430,180</u>
Total accumulated depreciation	<u>379,348</u>	<u>50,832</u>	<u>-</u>	<u>430,180</u>
Total capital assets, being depreciated, net	<u>268,840</u>	<u>(50,832)</u>	<u>-</u>	<u>218,008</u>
Business-type activities capital assets, net	<u>\$ 268,840</u>	<u>\$ (50,832)</u>	<u>\$ -</u>	<u>\$ 218,008</u>

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

Governmental Activities:

Instruction:

Regular	\$ 1,244,539
Special	1,967
Vocational	10,976

Support Services:

Pupil	373
Administration	61,859
Pupil Health	1,833
Business services	4,973
Operation & maintenance of plant	14,414
Central	41,462

Operation of Noninstructional Services:

Student activities	5,557
Unallocated	<u>75,370</u>

Total depreciation expense - governmental activities \$ 1,463,323

Business-type activities

    Cafeteria \$ 50,832

Total depreciation expense - business-type activities \$ 50,832

## WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2012

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### 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, 5 N. 5<sup>th</sup> Street, Harrisburg, PA 17101-1905. 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 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 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.



# WELLSBORO AREA SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2012

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### 7. Defined Benefit Plan (continued)

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions - Contributions required for employers are based upon an actuarial valuation. For fiscal year ended June 30, 2012, the rate of employer's contribution was 8.65% of covered payroll. The 8.65% rate is composed of a pension contribution rate of 8.00% for pension benefits and 0.65% for healthcare insurance premium assistance.

For the year ended June 30, 2012 the School District contributed \$812,356 and employees contributed \$723,662 to the System. Such amounts represented approximately 8.36% and 7.44%, respectively, of covered payroll of \$9,720,855. The District's contributions to the System for the years ending June 30, 2011 and 2010 were \$561,106 and \$482,081, respectively, equal to the required contributions for each year.

As of June 30, 2011 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 employee's 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

**WELLSBORO AREA SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2012

8. Post Employment Benefits other than Pensions (continued)

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.

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	16,639
Adjustment to annual required contribution	<u>(22,700)</u>
Annual OPEB cost (expense)	455,627
Contributions made	<u>(451,362)</u>
Increase in net OPEB obligation	4,265
Net OPEB obligation-beginning of year	<u>369,748</u>
Net OPEB obligation-end of year	<u><u>\$ 374,013</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, 2012, and the two preceding years, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/09	\$ 476,315	67.9%	\$ 152,988
06/30/10	\$ 473,887	60%	\$ 342,399
06/30/11	\$ 455,980	94%	\$ 369,214
06/30/12	\$ 455,533	99%	\$ 373,385

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

**WELLSBORO AREA SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2012

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8. Post Employment Benefits other than Pensions (continued)

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 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%

**WELLSBORO AREA SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2012

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8. Post Employment Benefits other than Pensions (continued)

**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**

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.

**WELLSBORO AREA SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2012

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8. Post Employment Benefits other than Pensions (continued)

**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:

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.

**WELLSBORO AREA SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2012

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8. Post Employment Benefits other than Pensions (continued)

**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.

**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 2011-2012 school year.

9. General Long-Term Debt

During the fiscal year ended June 30, 2012, the School District's long-term debt changed as follows:

	Bonds/ Notes Payable	Compensated Absences	Total Long-term Debt
Beginning of year	\$ 33,454,139	\$ 250,325	\$ 33,704,464
Principal Retirement	(1,440,026)	-	(1,440,026)
Changes in Compensated Absences	-	(7,281)	(7,281)
End of Year	<u>\$ 32,014,113</u>	<u>\$ 243,044</u>	<u>\$ 32,257,157</u>
Amount due within one year	<u>\$ 1,462,841</u>	<u>\$ -</u>	<u>\$ 1,462,841</u>

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

**WELLSBORO AREA SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2012

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9. General Long-term Debt (continued)

The future annual payments required to amortize all outstanding debt and obligations, except for the compensated absences, as of June 30, 2012, including total interest payments are as follows:

Year Ended June 30,	General Obligation Bonds/Notes		
	Interest	Principal	Total
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	882,755	1,606,443	2,489,198
2018-2022	3,812,285	8,737,308	12,549,593
2023-2027	2,177,566	10,110,000	12,287,566
2028-2030	304,385	5,515,000	5,819,385
TOTAL	<u>\$ 11,093,346</u>	<u>\$ 32,014,113</u>	<u>\$ 43,107,459</u>

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, 2012 was \$3,235,000.

General Obligation Bonds Series of 2007

The School district is the issuer of General Obligation Bonds, Series of 2007. Proceeds of these bonds were 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, 2012 was \$1,460,000.

**WELLSBORO AREA SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2012

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9. General Long-term Debt (continued)

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, 2012 was \$9,975,000.

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, 2012 was \$9,040,000.

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, 2012 was \$8,020,000.

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, 2012 was \$284,113.



## WELLSBORO AREA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2012

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### 9. General Long-term Debt (continued)

#### 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).

### 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.

**WELLSBORO AREA SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2012

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10. Other Post-employment Benefits (continued)

(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 (38) retirees meet those eligibility requirements. Expenditures for these benefits are recognized on a pay as you go basis. During the year ended June 30, 2012 net expenditures of \$365,949 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, 2012**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local revenues	\$ 11,764,105	\$ 11,764,105	\$ 12,352,360	\$ 588,255
State program revenues	8,874,747	8,874,747	8,864,670	(10,077)
Federal program revenues	936,271	936,271	1,328,278	392,007
Total revenues	<u>21,575,123</u>	<u>21,575,123</u>	<u>22,545,308</u>	<u>970,185</u>
<b>EXPENDITURES</b>				
Regular programs	8,121,048	8,116,263	8,458,472	(342,209)
Special programs	2,780,077	2,777,796	2,662,712	115,084
Vocational programs	799,966	800,330	824,193	(23,863)
Other instructional programs	273,632	273,672	262,214	11,458
Pupil personnel services	530,551	530,820	535,076	(4,256)
Instructional staff services	309,069	317,204	327,047	(9,843)
Administrative services	1,512,549	1,515,518	1,363,740	151,778
Pupil health	255,451	253,568	221,966	31,602
Business services	342,754	342,896	333,728	9,168
Operation & maintenance of plant services	2,015,689	2,008,143	1,868,757	139,386
Student transportation services	954,940	954,942	958,433	(3,491)
Central & other support services	482,906	487,135	488,876	(1,741)
Other support services	26,550	26,550	14,087	12,463
Student activities	323,864	323,862	316,713	7,149
Community services	44,637	58,984	60,409	(1,425)
Facilities acquisition and construction	300,000	300,000	339,311	(39,311)
Debt service	2,502,440	2,502,440	2,490,394	12,046
Total expenditures	<u>21,576,123</u>	<u>21,590,123</u>	<u>21,526,128</u>	<u>63,995</u>
Excess of revenues (under) expenditures	<u>(1,000)</u>	<u>(15,000)</u>	<u>1,019,180</u>	<u>1,034,180</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers - in	15,000	15,000	-	(15,000)
Sale/compensation for fixed assets	-	-	2,790	2,790
Interfund transfers - out	(14,000)	-	(27,649)	(27,649)
Total other financing sources	<u>1,000</u>	<u>15,000</u>	<u>(24,859)</u>	<u>(39,859)</u>
Net change in fund balance	-	-	994,321	994,321
Fund balance - July 1, 2011	1,925,000	1,925,000	3,248,945	1,323,945
Fund balance - June 30, 2012	<u>\$ 1,925,000</u>	<u>\$ 1,925,000</u>	<u>\$ 4,243,266</u>	<u>\$ 2,318,266</u>

See auditors' report on supplementary information.

## WELLSBORO AREA SCHOOL DISTRICT

Note to Required Supplementary Information

June 30, 2012

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### **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**

May 8, 2013

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, 2012

	<u>Wellsboro Borough</u>	<u>Charleston Township</u>	<u>Delmar Township</u>
<b>REAL ESTATE TAX</b>			
Assessed valuation of real estate	\$ 167,779,507	\$ 141,021,696	\$ 136,927,463
Tax rate (mills)	<u>16.3806</u>	<u>16.3806</u>	<u>16.3806</u>
Taxes charged to tax collector	<u>\$ 2,748,329</u>	<u>\$ 2,310,020</u>	<u>\$ 2,242,954</u>
 Taxes credited to tax collector			
Collections, net	\$ 2,576,612	\$ 2,115,135	\$ 2,055,077
Add: discounts allowed	40,524	31,992	30,370
Less: penalties imposed	<u>(7,238)</u>	<u>(7,224)</u>	<u>(9,425)</u>
Collections, at face	<u>2,609,898</u>	<u>2,139,903</u>	<u>2,076,022</u>
Taxes to tax claim bureau	<u>138,431</u>	<u>170,117</u>	<u>166,932</u>
Total credited to tax collector	<u>\$ 2,748,329</u>	<u>\$ 2,310,020</u>	<u>\$ 2,242,954</u>

	<u>Duncan Township</u>	<u>Middlebury Township</u>	<u>Shippen Township</u>
<b>REAL ESTATE TAX</b>			
Assessed valuation of real estate	\$ 12,984,384	\$ 52,712,294	\$ 28,986,728
Tax rate (mills)	<u>16.3806</u>	<u>16.3806</u>	<u>16.3806</u>
Taxes charged to tax collector	<u>\$ 212,692</u>	<u>\$ 863,459</u>	<u>\$ 474,820</u>
 Taxes credited to tax collector			
Collections, net	\$ 195,567	\$ 767,849	\$ 410,267
Add: discounts allowed	3,471	11,532	6,155
Less: penalties imposed	<u>(871)</u>	<u>(3,190)</u>	<u>(2,020)</u>
Collections, at face	<u>198,167</u>	<u>776,191</u>	<u>414,402</u>
Taxes to tax claim bureau	<u>14,525</u>	<u>87,268</u>	<u>60,418</u>
Total credited to tax collector	<u>\$ 212,692</u>	<u>\$ 863,459</u>	<u>\$ 474,820</u>

	<u>Pine Township</u>	<u>Total</u>
<b>REAL ESTATE TAX</b>		
Assessed valuation of real estate	\$ 33,524,256	\$ 573,936,328
Tax rate (mills)	<u>14.2833</u>	<u>-</u>
Taxes charged to tax collector	<u>\$ 478,837</u>	<u>\$ 9,331,111</u>
 Taxes credited to tax collector		
Collections, net	\$ 436,649	\$ 8,557,156
Add: discounts allowed	6,684	130,728
Less: penalties imposed	<u>(1,307)</u>	<u>(31,275)</u>
Collections, at face	<u>442,026</u>	<u>8,656,609</u>
Taxes to tax claim bureau	<u>36,811</u>	<u>674,502</u>
Total credited to tax collector	<u>\$ 478,837</u>	<u>\$ 9,331,111</u>

See auditors' report on supplementary information.

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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**

May 8, 2013

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, 2012, which collectively comprise the Wellsboro Area School District's basic financial statements, and have issued our report thereon dated May 8, 2013. 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

Management of Wellsboro Area School District is responsible for establishing and maintaining effective 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 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 a 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

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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**

May 8, 2013

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, 2012. 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, 2012.

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, 2012, and have issued our report thereon dated May 8, 2013.

Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying 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 schedule of expenditures of federal awards 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, 2012

<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, 2011</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2012</u>
U.S. Department of Education										
Physical Education Program (PEP Grant)*	D	84.215F	Q215F100195	10-11	\$ 342,457	\$ 251,090	\$ 23,931	\$ 266,804	\$ 266,804	\$ 39,645
Passed through the Pennsylvania Department of Education:										
Title I Improving Basic Programs*	I	84.010	013-110467	10-11	556,315	74,088	53,683	20,405	20,405	-
Title I Improving Basic Programs*	I	84.010	013-120467	11-12	536,357	466,724	-	536,310	536,310	69,586
Title I School Improvement*	I	84.010	042-100467	09-10	47,627	-	(5,140)	5,140	5,140	-
Title I School Improvement*	I	84.010	042-110467	10-11	56,180	47,753	(8,096)	55,849	55,849	-
Title I Delinquent*	I	84.010	107-120467	11-12	26,609	10,619	-	10,448	10,448	(171)
Title I Delinquent*	I	84.010	107-100467	09-10	45,101	6,036	(6,918)	12,954	12,954	-
Title I Delinquent*	I	84.010	107-110467	10-11	26,321	15,918	(4,483)	20,401	20,401	-
Program Total						621,138	29,046	661,507	661,507	69,415
ARRA - Title I School Improvement*	I	84.389	134-100467	09-10	33,049	-	(5,857)	5,857	5,857	-
ARRA - Title I Part A*	I	84.389	127-100467	09-10	305,952	-	(16,504)	16,504	16,504	-
ARRA - Title I Part D Delinquent*	I	84.389	133-100467	09-10	32,377	24,861	(7,516)	32,377	32,377	-
Program Total						24,861	(29,877)	54,738	54,738	-
Cluster Total						645,999	(831)	716,245	716,245	69,415
ARRA - Fiscal Stabilization- Basic Ed	I	84.394	126-110467	10-11	689,983	114,997	114,997	-	-	-
ARRA - Education Jobs Fund	I	84.410	140-141758	10-11	6,041	-	-	6,041	6,041	6,041
Title II Improving Teacher Quality	I	84.367	020-110467	10-11	101,064	6,707	6,707	-	-	-
Title II Improving Teacher Quality		84.367	020-120467	11-12	82,516	77,084	-	82,516	82,516	5,432
Program Total						83,791	6,707	82,516	82,516	5,432
Title II Education Technology	I	84.318	055-110467	10-11	50,000	38,462	-	43,344	43,344	4,882
Title VI Rural and Low Income	I	84.358	007-120467	11-12	35,340	29,450	-	35,340	35,340	5,890
Secondary Allocation	I	84.048	380-121094	11-12	30,017	30,017	-	30,017	30,017	-
Passed through BLaST IU#17:										
IDEA grant	I	84.027	n/a	11-12	267,849	260,000	-	267,849	267,849	7,849
IDEA grant	I	84.027	n/a	10-11	274,974	274,974	274,974	-	-	-
Program total						534,974	274,974	267,849	267,849	7,849
<b>TOTAL DEPARTMENT OF EDUCATION</b>						<b>\$ 1,728,780</b>	<b>\$ 419,778</b>	<b>\$ 1,448,156</b>	<b>\$ 1,448,156</b>	<b>\$ 139,154</b>

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, 2012

<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, 2011</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2012</u>
<u>U.S. Department of Agriculture</u>										
Passed through the Pennsylvania Department of Agriculture:										
National School Lunch - USDA Commodities	I	10.555	n/a	10-11	n/a	\$ -	\$ (6,865)	\$ 6,865	\$ 6,865	\$ -
National School Lunch - USDA Commodities	I	10.555	n/a	11-12	n/a	26,223	-	24,891	24,891	(1,332)
Passed through the Pennsylvania Department of Education:										
National School Lunch - Lunch Hi/Low	I	10.555	362-0000	10-11	n/a	37,310	37,310	-	-	-
National School Lunch - Lunch Hi/Low	I	10.555	362-0000	11-12	n/a	187,768	-	215,258	215,258	27,490
					<b>Program Total</b>	<u>251,301</u>	<u>30,445</u>	<u>247,014</u>	<u>247,014</u>	<u>26,158</u>
Severe Need Breakfast	I	10.553	367-0000	10-11	n/a	4,911	4,911	-	-	-
Severe Need Breakfast	I	10.553	367-0000	11-12	n/a	42,473	-	49,132	49,132	6,659
Regular Needy Breakfast	I	10.553	365-0000	10-11	n/a	2,911	2,911	-	-	-
					<b>Program Total</b>	<u>50,295</u>	<u>7,822</u>	<u>49,132</u>	<u>49,132</u>	<u>6,659</u>
					<b>Cluster Total</b>	<u>301,596</u>	<u>38,267</u>	<u>296,146</u>	<u>296,146</u>	<u>32,817</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>						<u>301,596</u>	<u>38,267</u>	<u>296,146</u>	<u>296,146</u>	<u>32,817</u>
<b>TOTAL FEDERAL EXPENDITURES</b>						<u>\$ 2,030,376</u>	<u>\$ 458,045</u>	<u>\$ 1,744,302</u>	<u>\$ 1,744,302</u>	<u>\$ 171,971</u>

\*- 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, 2012

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1. Scope of Single Audit

All 2011-12 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, 2012. 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, 2012

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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:

Title I Cluster

Title I Improving Basic Programs	84.010
ARRA Title I	84.389
Physical Education Program (PEP Grant)	84.215F

- 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.