

Wellston City School District

Jackson County

Single Audit

July 1 , 1999 Through June 30, 2000

Fiscal Year Audited Under GAGAS: 2000

MICHAEL A. BALESTRA, CPA, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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Members of the Board of Education
Wellston City School District
416 N. Pennsylvania Avenue
Wellston, Oh 45692

We have reviewed the Independent Auditor's Report of the Wellston City School District, Jackson County, prepared by Michael A. Balestra, CPA, Inc., for the audit period July 1, 1999 to June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wellston City School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

December 21, 2000

WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Members of the Board of Education
Wellston City School District
416 N. Pennsylvania Avenue
Wellston, Ohio 45692

We have audited the accompanying general purpose financial statements of the Wellston City School District, Jackson County, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the Wellston City School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Wellston City School District, as of June 30, 2000, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2000, on our consideration of the Wellston City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Wellston City Local School District, Jackson County, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.
Certified Public Accountant

December 15, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements of the School District include the basic combined financial statements, presented by fund type and account group, and notes to the financial statements that are essential to the fair presentation of financial position and results of operations and cash flows of the proprietary fund type.

WELLSTON CITY SCHOOL DISTRICT, OHIO

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2000

	GOVERNMENTAL FUND TYPES			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,086,848	\$1,166,560	\$151,775	\$7,082,154
Receivables:				
Taxes	1,966,452	5,737	282,823	254,060
Accounts	2,280	60	0	0
Intergovernmental	21,774	747	0	0
Interfund	2,000	0	0	0
Due from Other Funds	1,590	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Prepaid Items	15,017	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	283,287	0	0	0
Fixed Assets	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$5,379,248</u>	<u>\$1,173,104</u>	<u>\$434,598</u>	<u>\$7,336,214</u>

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPES</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$110,298	\$33,316	\$0	\$0	\$11,630,951
0	0	0	0	2,509,072
0	0	0	0	2,340
0	0	0	0	22,521
0	0	0	0	2,000
0	0	0	0	1,590
6,902	0	0	0	6,902
670	0	0	0	670
0	0	0	0	15,017
0	0	0	0	283,287
41,875	0	9,090,677	0	9,132,552
0	0	0	156,450	156,450
0	0	0	4,594,329	4,594,329
<u>\$159,745</u>	<u>\$33,316</u>	<u>\$9,090,677</u>	<u>\$4,750,779</u>	<u>\$28,357,681</u>

(continued)

WELLSTON CITY SCHOOL DISTRICT, OHIO

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2000

(Continued)

	GOVERNMENTAL FUND TYPES			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Liabilities,</u>				
<u>Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$42,396	\$25,544	\$0	\$12,695
Contracts Payable	22,510	30,361	0	228,483
Accrued Wages and Benefits	716,035	146,451	0	3,780
Compensated Absences Payable	30,842	0	0	0
Interfund Payable	0	2,000	0	0
Due to Other Funds	0	1,590	0	0
Intergovernmental Payable	156,137	25,600	0	570
Deferred Revenue	1,928,910	5,029	278,148	249,810
Due to Students	0	0	0	0
Energy Conservation Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>2,896,830</u>	<u>236,575</u>	<u>278,148</u>	<u>495,338</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	212,136	57,121	0	75,309
Reserved for School Bus Purchase	171,059	0	0	0
Reserved for Property Taxes	37,542	708	4,675	4,250
Reserved for Budget Stabilization	112,228	0	0	0
Unreserved:				
Undesignated	<u>1,949,453</u>	<u>878,700</u>	<u>151,775</u>	<u>6,761,317</u>
Total Fund Equity (Deficit) and Other Credits	<u>2,482,418</u>	<u>936,529</u>	<u>156,450</u>	<u>6,840,876</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,379,248</u>	<u>\$1,173,104</u>	<u>\$434,598</u>	<u>\$7,336,214</u>

See accompanying notes to the general purpose financial statements

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPES</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$0	\$0	\$0	\$0	\$80,635
0	0	0	0	281,354
24,413	0	0	0	890,679
40,185	0	0	837,162	908,189
0	0	0	0	2,000
0	0	0	0	1,590
16,496	0	0	133,617	332,420
4,033	0	0	0	2,465,930
0	26,284	0	0	26,284
0	0	0	220,000	220,000
0	0	0	3,560,000	3,560,000
85,127	26,284	0	4,750,779	8,769,081
0	0	9,090,677	0	9,090,677
74,618	0	0	0	74,618
0	322	0	0	344,888
0	0	0	0	171,059
0	0	0	0	47,175
0	0	0	0	112,228
0	6,710	0	0	9,747,955
74,618	7,032	9,090,677	0	19,588,600
<u>\$159,745</u>	<u>\$33,316</u>	<u>\$9,090,677</u>	<u>\$4,750,779</u>	<u>\$28,357,681</u>

WELLSTON CITY SCHOOL DISTRICT, OHIO
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Totals (Memorandum Only)
<u>Revenues:</u>						
Property Taxes	\$1,841,943	\$39,672	\$261,833	\$204,586	\$0	\$2,348,034
Intergovernmental	7,033,796	1,775,770	30,653	3,908,357	0	12,748,576
Interest	176,678	3,643	5,791	267,954	0	454,066
Tuition and Fees	8,347	0	0	0	0	8,347
Rent	3,820	0	0	0	0	3,820
Extracurricular Activities	0	77,592	0	0	0	77,592
Gifts and Donations	548	38,600	0	0	2,150	41,298
Miscellaneous	118,313	5,091	0	0	0	123,404
<i>Total Revenues</i>	<u>9,183,445</u>	<u>1,940,368</u>	<u>298,277</u>	<u>4,380,897</u>	<u>2,150</u>	<u>15,805,137</u>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	4,196,038	633,201	0	66,219	14,554	4,910,012
Special	899,111	501,467	0	0	0	1,400,578
Vocational	233,817	0	0	0	0	233,817
Other	53,791	0	0	0	0	53,791
Support Services:						
Pupils	685,952	37,787	0	33,272	0	757,011
Instructional Staff	79,530	164,950	0	0	0	244,480
Board of Education	135,888	500	0	0	0	136,388
Administration	652,258	40,055	0	0	0	692,313
Fiscal	260,388	1,845	8,932	7,006	0	278,171
Operation and Maintenance of Plant	671,337	15,930	0	6,025	0	693,292
Pupil Transportation	563,000	37,486	0	2,920	0	603,406
Central	65,558	1,814	0	3,593	0	70,965
Operation of Non-Instructional Services						
Extracurricular Activities	107,549	81,702	0	0	0	189,251
Capital Outlay	0	0	0	1,644,644	0	1,644,644
Debt Service:						
Principal Retirement	0	0	161,000	0	0	161,000
Interest and Fiscal Charges	0	0	194,340	0	0	194,340
<i>Total Expenditures</i>	<u>8,604,217</u>	<u>1,592,568</u>	<u>364,272</u>	<u>1,763,679</u>	<u>14,554</u>	<u>12,339,290</u>
Excess of Revenues Over (Under) Expenditures	<u>579,228</u>	<u>347,800</u>	<u>(65,995)</u>	<u>2,617,218</u>	<u>(12,404)</u>	<u>3,465,847</u>
<u>Other Financing Sources (Uses):</u>						
Proceeds From Sale of Fixed Assets	225	0	0	0	0	225
Operating Transfers - In	0	30,000	80,024	20,043	0	130,067
Operating Transfers - Out	(138,525)	0	0	0	0	(138,525)
<i>Total Other Financing Sources (Uses)</i>	<u>(138,300)</u>	<u>30,000</u>	<u>80,024</u>	<u>20,043</u>	<u>0</u>	<u>(8,233)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	440,928	377,800	14,029	2,637,261	(12,404)	3,457,614
Fund Balances at Beginning of Year	<u>2,041,490</u>	<u>558,729</u>	<u>142,421</u>	<u>4,203,615</u>	<u>19,436</u>	<u>6,965,691</u>
Fund Balances at End of Year	<u>\$2,482,418</u>	<u>\$936,529</u>	<u>\$156,450</u>	<u>\$6,840,876</u>	<u>\$7,032</u>	<u>\$10,423,305</u>

See accompanying notes to the general purpose financial statements

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WELLSTON CITY SCHOOL DISTRICT, OHIO
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2000

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$1,845,903	\$1,845,903	\$0	\$39,747	\$39,747	\$0
Intergovernmental	7,139,072	7,139,072	0	1,903,342	1,806,411	(96,931)
Interest	157,568	176,678	19,110	3,134	3,643	509
Tuition and Fees	6,997	6,997	0	0	0	0
Rent	3,550	3,550	0	0	0	0
Extracurricular Activities	0	0	0	77,961	77,961	0
Gifts and Donations	548	548	0	38,600	38,600	0
Miscellaneous	118,450	118,468	18	5,047	5,047	0
Total Revenues	9,272,088	9,291,216	19,128	2,067,831	1,971,409	(96,422)
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	4,185,053	4,185,053	0	684,685	684,685	0
Special	872,993	872,993	0	490,345	490,345	0
Vocational	236,784	236,784	0	0	0	0
Other	60,975	60,975	0	0	0	0
Support Services:						
Pupils	687,811	687,811	0	44,376	44,376	0
Instructional Staff	90,199	90,199	0	165,319	165,319	0
Board of Education	127,666	127,666	0	500	500	0
Administration	609,381	609,381	0	35,568	35,568	0
Fiscal	261,868	261,868	0	1,845	1,845	0
Operation and Maintenance of Plant	709,949	709,949	0	14,349	14,349	0
Pupil Transportation	683,493	683,493	0	35,550	35,550	0
Central	62,307	62,307	0	1,814	1,814	0
Non-Instructional Services	0	0	0	80,398	80,398	0
Extracurricular Activities	107,535	107,535	0	90,458	90,458	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	8,696,014	8,696,014	0	1,645,207	1,645,207	0
Excess of Revenues Over (Under) Expenditures	576,074	595,202	19,128	422,624	326,202	(96,422)
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Fixed Assets	225	225	0	0	0	0
Operating Transfers - In	0	0	0	42,662	30,000	(12,662)
Operating Transfers - Out	(138,525)	(138,525)	0	0	0	0
Advances In	184,462	184,462	0	0	0	0
Advances Out	0	0	0	(184,462)	(184,462)	0
Total Other Financing Sources (Uses)	46,162	46,162	0	(141,800)	(154,462)	(12,662)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	622,236	641,364	19,128	280,824	171,740	(109,084)
Fund Balances at Beginning of Year	2,459,213	2,459,213	0	865,353	865,353	0
Fund Balances at End of Year	\$3,081,449	\$3,100,577	\$19,128	\$1,146,177	\$1,037,093	(\$109,084)

See accompanying notes to the general purpose financial statements

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUNDS</i>			<i>EXPENDABLE TRUST FUND</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$262,327	\$262,327	\$0	\$205,035	\$205,035	\$0	\$0	\$0	\$0
44,978	44,978	0	3,971,757	3,908,357	(63,400)	0	0	0
4,926	5,790	864	237,753	267,954	30,201	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	3,650	2,150	(1,500)
0	0	0	0	0	0	0	0	0
<u>312,231</u>	<u>313,095</u>	<u>864</u>	<u>4,414,545</u>	<u>4,381,346</u>	<u>(33,199)</u>	<u>3,650</u>	<u>2,150</u>	<u>(1,500)</u>
0	0	0	66,220	66,220	0	14,859	14,859	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	30,182	30,182	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
8,932	8,932	0	7,006	7,006	0	0	0	0
0	0	0	6,025	6,025	0	0	0	0
0	0	0	2,920	2,920	0	0	0	0
0	0	0	3,592	3,592	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	1,448,411	1,448,411	0	0	0	0
161,000	161,000	0	0	0	0	0	0	0
194,340	194,340	0	0	0	0	0	0	0
<u>364,272</u>	<u>364,272</u>	<u>0</u>	<u>1,564,356</u>	<u>1,564,356</u>	<u>0</u>	<u>14,859</u>	<u>14,859</u>	<u>0</u>
<u>(52,041)</u>	<u>(51,177)</u>	<u>864</u>	<u>2,850,189</u>	<u>2,816,990</u>	<u>(33,199)</u>	<u>(11,209)</u>	<u>(12,709)</u>	<u>(1,500)</u>
0	0	0	0	0	0	0	0	0
80,024	80,024	0	20,043	20,043	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>80,024</u>	<u>80,024</u>	<u>0</u>	<u>20,043</u>	<u>20,043</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
27,983	28,847	864	2,870,232	2,837,033	(33,199)	(11,209)	(12,709)	(1,500)
<u>122,928</u>	<u>122,928</u>	<u>0</u>	<u>4,158,641</u>	<u>4,158,641</u>	<u>0</u>	<u>19,287</u>	<u>19,287</u>	<u>0</u>
<u>\$150,911</u>	<u>\$151,775</u>	<u>\$864</u>	<u>\$7,028,873</u>	<u>\$6,995,674</u>	<u>(\$33,199)</u>	<u>\$8,078</u>	<u>\$6,578</u>	<u>(\$1,500)</u>

WELLSTON CITY SCHOOL DISTRICT, OHIO

Combined Statement of Revenues, Expenses
and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000

	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Sales	\$137,037
<i>Total Operating Revenues</i>	<u>137,037</u>
<u>Operating Expenses:</u>	
Salaries	176,409
Fringe Benefits	79,771
Purchased Services	394
Materials and Supplies	24,195
Cost of Sales	151,692
Depreciation	3,913
<i>Total Operating Expenses</i>	<u>436,374</u>
Operating Loss	<u>(299,337)</u>
<u>Non-Operating Revenues(Expenses):</u>	
Federal Donated Commodities	27,182
Interest	2,690
Federal and State Subsidies	252,135
Loss on Sale of Fixed Assets	(517)
<i>Total Non-Operating Revenues(Expenses)</i>	<u>281,490</u>
Net Loss Before Operating Transfers	(17,847)
Operating Transfers In	<u>8,458</u>
Net Loss	(9,389)
Retained Earnings at Beginning of Year	<u>84,007</u>
Retained Earnings at End of Year	<u><u>\$74,618</u></u>

See accompanying notes to the general purpose financial statements

WELLSTON CITY SCHOOL DISTRICT, OHIO
 Combined Statement of Revenues, Expenses and Changes in
 Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2000

	ENTERPRISE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	138,277	137,037	(1,240)
Interest	2,251	2,690	439
Federal and State Subsidies	284,664	284,664	0
<i>Total Revenues</i>	425,192	424,391	(801)
<u>Expenses:</u>			
Salaries	170,323	170,323	0
Fringe Benefits	75,025	75,025	0
Purchased Services	394	394	0
Materials and Supplies	149,724	149,724	0
<i>Total Operating Expenses</i>	395,466	395,466	0
Excess of Revenues Over Expenses	29,726	28,925	(4,128)
Operating Transfers In	8,458	8,458	0
Excess of Revenues Over Expenses and Transfers	38,184	37,383	(4,128)
Fund Equity at Beginning of Year	68,971	68,971	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Equity at End of Year	\$107,155	\$106,354	(\$4,128)

See accompanying notes to the general purpose financial statements

WELLSTON CITY SCHOOL DISTRICT, OHIO

Combined Statement of Cash Flows

Proprietary Fund Type

For the Fiscal Year Ended June 30, 2000

	<u>ENTERPRISE</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$137,037
Cash Payments to Suppliers for Goods and Services	(149,501)
Cash Payments for Employees Services and Benefits	<u>(245,348)</u>
Net Cash Used for Operating Activities	<u>(257,812)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	284,664
Operating Transfers In	<u>8,458</u>
Net Cash Provided by Noncapital Financing Activities	<u>293,122</u>
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	<u>2,690</u>
Net Increase in Cash and Cash Equivalents	38,000
Cash and Cash Equivalents at Beginning of Year	<u>72,298</u>
Cash and Cash Equivalents at End of Year	<u><u>\$110,298</u></u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$299,337)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Depreciation	3,913
Donated Commodities Used During Year	27,182
Changes in Assets and Liabilities:	
Increase in Inventory Held for Resale	(281)
Increase in Materials and Supplies Inventory	(59)
Decrease in Accounts Payable	(60)
Decrease in Accrued Wages and Benefits Payable	(2,084)
Increase in Compensated Absences Payable	7,507
Increase in Intergovernmental Payable	<u>5,407</u>
Total Adjustments	<u>41,525</u>
Net Cash Used for Operating Activities	<u><u>(\$257,812)</u></u>

See accompanying notes to the general purpose financial statements

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 1 - Description of the School District and Reporting Entity

Wellston City School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 62 non-certificated, 133 certificated full time teaching personnel and 18 administrators who provide services to 1,814 students and other community members.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units.

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

Parent Teacher Organization
City of Wellston

The following activities are included within the reporting entity.

Parochial Schools Within the School District boundaries, Saint Peter and Paul Catholic School Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with three organizations, two of which are defined as jointly governed organizations, and one as an insurance purchasing pool. These organizations are the Southeast Ohio Voluntary Educational Consortium, the Gallia-Jackson-Vinton Joint Vocational School District, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

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

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

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

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

Capital Projects Funds Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include an expendable trust fund and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the function level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (Continued)

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund and function, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The treasurer allocates appropriations among functions within a fund during the fiscal year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (Continued)

During fiscal year 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$176,678, which includes \$119,173 assigned from other School District funds. The special revenue, debt service and capital projects funds received interest revenue of \$3,643, \$5,791 and \$267,954, respectively.

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

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food and expendable supplies held for consumption and are expended when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Assets in the general fixed assets account group are not depreciated.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The School District currently participates in several State and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase
State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Title VIB
Performance Incentive Grant
Disadvantaged Pupil Program
Phonics Demonstration Grant
Eisenhower Grant
Vital Links Grant
School Security Equipment Grant
Parent Mentor Project
Title I
Title II
Public School Grant
Drug Free Schools
Educational Management Information System
Professional Development

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (Continued)

Ohio Reads Grant
Class Size Reduction
Goals 2000 Intervention

Capital Projects Funds

School Net Plus
Technology Equity
Emergency Repair Grant
Preschool Handicap Grant

Reimbursable Grants

General Fund

Driver Education
Dependent Care Plan

Proprietary Funds

National School Breakfast Program
National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 81 percent of governmental fund revenue during the 2000 fiscal year.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables” and “interfund payables”.

J. Compensated Absences

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

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

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (Continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. Long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Transactions

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

M. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

N. Fund Balance Reserves

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

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (Continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

Note 3 - Prior Year Restatements

Fixed Assets were understated in the General Fixed Asset Account Group as of June 30, 1999. The result of this change was an increase of \$620,360. This change increased the Account Group's balance at July 1, 1999 from \$7,218,793 to \$7,839,153.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 4 - Budgetary Basis of Accounting (Continued)

4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources
 Over(Under) Expenditures and Other Financing Uses
 All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$440,928	\$377,800	\$14,029	\$2,637,261	(\$12,404)
Revenue Accruals	107,769	31,043	14,818	450	0
Expenditure Accruals	135,319	34,476	0	213,493	(132)
Prepaid Items	(15,017)	0	0	0	0
Advances In	184,462	0	0	0	0
Advances Out	0	(184,462)	0	0	0
Encumbrances	(212,097)	(87,117)	0	(14,171)	(173)
Budget Basis	<u>\$641,364</u>	<u>\$171,740</u>	<u>\$28,847</u>	<u>\$2,837,033</u>	<u>(\$12,709)</u>

Net Income (Loss)/Excess of Revenues Over (Under)
 Expenses and Advances
 All Proprietary Fund Types

	Enterprise
GAAP Basis	(\$9,389)
Revenue Accruals	5,348
Expense Accruals	37,610
Loss on Disposal of Fixed Assets	517
Depreciation Expense	3,913
Encumbrances	(617)
Budget Basis	<u>\$37,383</u>

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 5 - Deposits and Investments

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

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

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

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

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

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

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

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 5 - Deposits and Investments (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year end, the carrying amount of the School District's deposits was \$1,887,398 and the bank balance was \$1,997,435. Of the bank balance:

1. \$174,727 was covered by federal depository insurance; and
2. \$1,822,708 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Unclassified	Fair Value
STAR Ohio	\$10,026,840	\$10,026,840

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 5 - Deposits and Investments (Continued)

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$11,914,238	\$0
STAR Ohio	(10,026,840)	10,026,840
GASB Statement 3	<u>\$1,887,398</u>	<u>\$10,026,840</u>

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2000 real property taxes are collected in and intended to finance fiscal year 2001.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

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

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

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 6 - Property Taxes (Continued)

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$59,821,740	73.94%	\$68,731,160	74.30%
Public Utility	9,088,930	11.23%	8,702,590	9.40%
Tangible Personal Property	11,993,201	14.82%	15,074,638	16.30%
Total Assessed Value	<u>\$80,903,871</u>	<u>100.00%</u>	<u>\$92,508,388</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$26.00		\$33.30	

The School District receives property taxes from Jackson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$37,542 in the General Fund, \$708 in the Classroom Maintenance Special Revenue Fund, \$4,675 in the Debt Service Fund, and \$4,250 in the Permanent Improvement Capital Projects Fund.

Note 7 - Receivables

Receivables at June 30, 2000, consisted of taxes, accounts (rent and tuition), interfund, due from other funds and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Driver's Education	\$1,250
Community Alternative Funding System	20,524
Total General Fund	<u>21,774</u>
Special Revenue Funds:	
OHSAA Reimbursements	747
Total Intergovernmental Receivables	<u>\$22,521</u>

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 8 - Fixed Assets

A summary of the enterprise fund's fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$143,716
Less: accumulated depreciation	<u>(101,841)</u>
Net Fixed Assets	<u><u>\$41,875</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	Balance 6/30/99	Additions	Deductions	Balance 6/30/00
Land and Improvements	\$347,508	\$0	\$0	\$347,508
Buildings	2,792,804	0	0	2,792,804
Vehicles	888,095	6,025	0	894,120
Furniture and Equipment	1,905,378	220,037	65,414	2,060,001
Construction in Progress	621,147	1,090,876	0	1,712,023
Textbooks	<u>1,284,221</u>	<u>0</u>	<u>0</u>	<u>1,284,221</u>
Total General Fixed Assets	<u><u>\$7,839,153</u></u>	<u><u>\$1,316,938</u></u>	<u><u>\$65,414</u></u>	<u><u>\$9,090,677</u></u>

Note 9 - 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. For fiscal year 2000, the School District contracted with Waugh Insurance for property and general liability insurance. There is a \$500 deductible with a one hundred percent blanket, all risk policy. The School District contracted with Waugh Insurance for boiler and machinery insurance. There is a \$250 deductible with a \$3,594,440 single occurrence limit. The School District contracted with Waugh Insurance for builder's risk insurance. There is a \$5,000 deductible with a \$3,915,725 project limit for the construction at Bundy Elementary, \$14,346,968 project limit for the construction of the Middle School, and \$13,208,481 project limit for the construction of the High School.

Professional liability is protected by The Nationwide Insurance Company with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate limit with no deductible. Fleet insurance is covered by The Nationwide Insurance Company and holds a \$100 deductible for comprehensive and collision. Automobile liability has a \$2,000,000 combined single limit of liability.

Settled claims have not exceeded commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 9 - Risk Management (Continued)

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 10 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$314,093, \$235,261 and \$621,154, respectively; 82.61 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$54,624 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 10 - Defined Benefit Pension Plans (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$55,977, \$77,769 and \$148,251, respectively; 31.70 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$38,230 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$418,791 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 11 - Postemployment Benefits (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$167,642.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

Note 12 - Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. All employees may accumulate an unlimited amount of sick days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 56 days for teachers and 60 days for administrators and classified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to classified and administrative employees in the amount of \$40,000.

Health, dental and vision insurance is provided by Medical Mutual Insurance. Premiums for this coverage are \$559.28 for family coverage and \$223.90 for single coverage. The School District pays 99% of both family and single coverage premiums.

C. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2000, were as follows:

	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
Energy Conservation Notes 1993 5.95%	\$50,000	\$0	\$10,000	\$40,000
Energy Conservation Notes 1992 5.95%	235,000	0	55,000	180,000
School Facilities Bond 1999 3.3% - 5.85%	3,656,000	0	96,000	3,560,000
Compensated Absences	873,951	158,481	195,270	837,162
Pension Obligation	75,520	133,617	75,520	133,617
Total General Long-Term Obligations	\$4,890,471	\$292,098	\$431,790	\$4,750,779

The energy conservation notes and the school facilities bond will be paid from the debt service fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

School Facilities Bonds - The 1999 Classroom Facilities bonds were issued in the amount of \$3,656,000 as a result of the School District being approved for a \$33,700,000 school facilities loan through the State Department of Education for the construction of a new K-12 facility. The School District issued the general obligation bonds to provide a partial cash match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 3.8 mill levy. The 3.8 mill levy will be in effect for twenty-three years.

Wellston City School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$33,700,000 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 566 out of 611) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside .5 mill of the 5.80 mill levy mentioned above for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution. The School District received \$3,861,116 during fiscal year 2000 under this program which was recorded as intergovernmental revenue in the capital projects funds.

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 13 - Long-Term Obligations (Continued)

The School District's overall legal debt margin was \$4,922,205, with an unvoted debt margin of \$92,508 at June 30, 2000. Principal and interest requirements to retire school facilities bonds outstanding at June 30, 2000, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2001	\$85,000	\$176,203	\$261,203
2002	85,000	173,058	258,058
2003	90,000	169,710	259,710
2004	100,000	175,953	275,953
2005	100,000	161,878	261,878
2006 – 2010	600,000	736,959	1,336,959
2011 – 2015	820,000	561,505	1,381,505
2016 – 2020	1,130,000	289,278	1,419,278
2021 – 2022	550,000	28,000	578,000
Total	<u>\$3,560,000</u>	<u>\$2,472,544</u>	<u>\$6,032,544</u>

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2000, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2001	\$65,000	\$11,156	\$76,156
2002	70,000	7,140	77,140
2003	75,000	2,826	77,826
2004	10,000	298	10,298
Total	<u>\$220,000</u>	<u>\$21,420</u>	<u>\$241,420</u>

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 14 - Interfund Transactions

Interfund balances at June 30, 2000, consist of the following individual interfund receivables and payables:

	Receivable	Payable
General Fund	\$2,000	\$0
Special Revenue Fund:		
District Managed Activities	0	2,000
Total All Funds	\$2,000	\$2,000

Due from Other Funds and Due to Other Funds at June 30, 2000, consisted of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$1,590	\$0
Special Revenue Funds:	0	
Public School Support	0	70
Public Preschool	0	55
Summer School	0	1,120
Miscellaneous State Grants	0	345
Total Special Revenue Funds	0	1,590
Total All Funds	\$1,590	\$1,590

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 15 - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2000.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$115,388	\$21,649	\$137,037
Depreciation	3,913	0	3,913
Operating Loss	(296,281)	(3,056)	(299,337)
Donated Commodities	27,182	0	27,182
Operating Grants	252,135	0	252,135
Loss on Sale of Fixed Assets	(517)	0	(517)
Operating Transfers	0	8,458	8,458
Net Loss	(14,791)	5,402	(9,389)
Fixed Assets Deletions	2,294	0	2,294
Net Working Capital	38,517	34,411	72,928
Total Assets	125,334	34,411	159,745
Long-Term Compensated Absences Payable	40,185	0	40,185
Total Equity	40,207	34,411	74,618
Encumbrances, June 30, 2000	442	175	617

Note 16 - Contractual Commitments

As of June 30, 2000, the School District had contractual purchase commitments for the completion of construction of the new high school as follows:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/00
BBL Maescher/DAG	\$1,638,194	\$311,984	\$1,326,210
Triad Architects	1,910,961	1,378,472	532,489
Total	<u>\$3,549,155</u>	<u>\$1,690,456</u>	<u>\$1,858,699</u>

Note 17 - Jointly Governed Organizations

A. Southeast Ohio Voluntary Educational Consortium

The Southeast Ohio Voluntary Educational Consortium (SEOVEC) is a jointly governed organization created as a regional council of governments pursuant to State statutes. SEOVEC provides financial accounting services, educational management information, and cooperative purchasing services to its members. Each member pays a fee annually for services provided by SEOVEC.

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 17 - Jointly Governed Organizations (Continued)

SEOVEC is governed by a governing board which is selected by the members. Each member has one vote in all matters, and each member's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. SEOVEC operates with its own Treasurer. The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. During fiscal year 2000, the Wellston City School District paid \$11,297 to SEOVEC.

B. Gallia-Jackson-Vinton Joint Vocational School

The Gallia-Jackson-Vinton Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the various City and County Boards within Gallia, Jackson, and Vinton Counties, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School, Donnaly Smith who serves as Treasurer, at P.O. Box 157, Rio Grande, Ohio, 45674.

Note 18 - Insurance Purchasing Pool

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

Note 19 - School Funding Court Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$6,767,645 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total grant of \$3,861,116 under this program.

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 19 - School Funding Court Decision (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the [Ohio] Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...”, including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

Note 20 - Set - Aside Calculations and Fund Reserves

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

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

Wellston City Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 20 - Set - Aside Calculations and Fund Reserves (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 1999	\$15,396	\$0	\$112,228
Current Year Set-aside Requirement	171,979	171,979	0
Current Year Offsets	0	39,747	0
Qualifying Disbursements	<u>(238,858)</u>	<u>(1,680,083)</u>	<u>0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$51,483)</u>	<u>(\$1,547,851)</u>	<u>\$112,228</u>
Set-aside Reserve Balance as of June 30, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$112,228</u>

The School District had qualifying disbursements during the year that reduced the capital acquisition and textbook set-aside amounts to below zero, these negative amounts for the textbooks and capital acquisition set-asides may be used to reduce the set-aside requirement of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$112,228. The School District also receives monies for school bus purchases. As of June 30, 2000 the district had a balance of \$171,059 for school bus purchases.

Note 21 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 22 - Subsequent Events

On July 7, 2000, the School District entered into 15 construction contracts, with various vendors, in the amount of \$25,858,268 for the construction and renovation of a new high school, middle school, and elementary school. The expected project completion date is August, 2002.

WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2000

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disburseme
U.S. DEPARTMENT OF AGRICULTURE						
<i>Pass through the Ohio Department of Education</i>						
NUTRITION CLUSTER						
Food Distribution Program	N/A	10.550	\$0	\$26,054	\$0	\$27,182
School Breakfast Program	05-PU 00	10.553	66,608	0	66,608	0
National School Lunch Program	04-PU 00	10.555	198,109	0	198,109	0
Total Nutrition Cluster			<u>264,717</u>	<u>0</u>	<u>264,717</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>264,717</u>	<u>26,054</u>	<u>264,717</u>	<u>27,182</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Pass through the Ohio Department of MRDD</i>						
Dependent Care Plan (CAFS)	N/A	93.673	108,802	0	108,802	0
U.S. DEPARTMENT OF EDUCATION						
<i>Pass through the Ohio Department of Education</i>						
SPECIAL EDUCATION CLUSTER						
Special Education Grants to States (IDEA Part B)	6B-SF 00 P	84.027	96,426	0	97,366	0
Special Education Preschool Grant	PG-S1 00 P	84.173	13,171	0	14,157	0
Total Special Education Cluster			<u>109,597</u>	<u>0</u>	<u>111,523</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1 00	84.010	680,199	0	492,545	0
Drug Free Schools Grant	DR-S1 00	84.186	4,165	0	12,265	0
Eisenhower Professional Development	MS-S1 00	84.281	3,599	0	5,563	0
Goals 2000	G2-S1-99 P	84.276	31,388	0	36,761	0
Class Size Reduction Subsidy	CR-S1-00	84.340	73,405	0	57,057	0
Reading Excellence Tutorial	RN-S2-00	84.338	9,760	0	0	0
Innovative Education Program Strategy	C2-S1-99	84.298	4,165	0	5,564	0
Total U.S. Department of Education			<u>916,278</u>	<u>0</u>	<u>721,278</u>	<u>0</u>
Total Federal Awards and Expenditures			<u>\$1,289,797</u>	<u>\$26,054</u>	<u>\$1,094,797</u>	<u>\$27,182</u>

N/A = The School District could not locate a pass through entity number.
See notes to Schedule of Federal Awards Expenditures

WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - - FOOD DISTRIBUTIONS

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the School District had no significant food commodities in inventory.

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*

Members of the Board Education
Wellston City School District
416 N. Pennsylvania Avenue
Wellston, Ohio 45692

We have audited the financial statements of the Wellston City School District, Jackson County, as of and for the year ended June 30, 2000, and have issued our report thereon dated December 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wellston City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing and 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 that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of non compliance that we have reported to the management of the Wellston City School District in a separate letter dated December 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wellston City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Members of the Board of Education
Wellston City School District

Report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Audit Standards*

Page 2

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Michael A. Balestra, CPA, Inc.

Michael A. Balestra, CPA, Inc.
Certified Public Accountant

December 15, 2000

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Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB circular A-133

Members of the Board of Education
Wellston City School District
416 N. Pennsylvania Avenue
Wellston, Ohio 45692

Compliance

We have audited the compliance of the Wellston City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. Wellston City School District's major federal program is identified in the summary of auditor's 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 Wellston City School District's management. Our responsibility is to express an opinion on Wellston City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Wellston City 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 Wellston City School District's compliance with those requirements.

In our opinion, Wellston City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

The management of Wellston City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wellston City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Members of the Board of Education
Wellston City School District

Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with
OMB circular A-133

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and members of the Board, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Michael A. Balestra, CPA, Inc.

Michael A. Balestra, CPA, Inc.
Certified Public Accountant

December 15, 2000

**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY
JUNE 30, 2000**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster; CFDA# 10.550, #10.553, #10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY
JUNE 30, 2000**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

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

Finding Number	None
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



STATE OF OHIO
OFFICE OF THE AUDITOR

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WELLSTON CITY SCHOOL DISTRICT

JACKSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 09, 2001**