

Wellston City School District

Jackson County

Single Audit

July 1 , 2000 Through June 30, 2001

Fiscal Year Audited Under GAGAS: 2001

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639 E-Mail: mbalcpa@bright.net



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

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

We have reviewed the Independent Auditor's Report of the Wellston City School District, Jackson County, prepared by Balestra & Company, for the audit period July 1, 2000 to June 30, 2001. 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

January 11, 2002

This Page is Intentionally Left Blank.

WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditors' Report	
General Purpose Financial Statements.....	1
Combined Balance Sheet - All Fund Types and Account Groups.....	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Similar Trust Fund.....	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Similar Trust Fund.....	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type.....	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type.....	11
Combined Statement of Cash Flows - Proprietary Fund Type.....	12
Notes to the General Purpose Financial Statements.....	13
Schedule of Federal Awards Expenditures.....	40
Notes to Schedule of Federal Awards Expenditures.....	41
Report On Compliance and On Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government</i> <i>Auditing Standards</i>	42
Report on Compliance With Requirements Applicable To Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	43
Schedule of Findings & Questioned Costs OMB Circular A-133 Section .505.....	45

This Page is Intentionally Left Blank.

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639 E-Mail: mbalcpa@bright.net

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 (the District), Jackson County, as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the 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 District, as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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.

As described in Note 3 to the general purpose financial statements, the District implemented Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and Governmental Accounting Standards Board Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* (an amendment of GASB Statement No. 33).

Balestra & Company

Balestra & Company

December 11, 2001

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.

This Page is Intentionally Left Blank.

WELLSTON CITY SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Capital Projects	Debt Service
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,498,284	\$1,505,692	\$15,330,113	\$198,402
Receivables:				
Taxes	2,284,107	7,436	185,767	327,411
Accounts	3,236	1,901	0	0
Intergovernmental	36,104	182,403	5,081,870	0
Interfund	12,305	0	0	0
Due from Other Funds	3,200	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Prepaid Items	16,671	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	325,575	0	566,209	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$6,179,482	\$1,697,432	\$21,163,959	\$525,813

See accompanying notes to the general purpose financial statements

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$99,955	\$35,945	\$0	\$0	\$20,668,391
0	0	0	0	2,804,721
0	0	0	0	5,137
18	0	0	0	5,300,395
0	0	0	0	12,305
0	0	0	0	3,200
8,275	0	0	0	8,275
1,019	0	0	0	1,019
0	0	0	0	16,671
0	0	0	0	891,784
38,153	0	22,458,805	0	22,496,958
0	0	0	209,349	209,349
0	0	0	4,388,106	4,388,106
\$147,420	\$35,945	\$22,458,805	\$4,597,455	\$56,806,311

(continued)

WELLSTON CITY SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Capital Projects	Debt Service
Liabilities,				
Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$18,534	\$7,873	\$0	\$0
Contracts Payable	4,406	2,500	1,743,930	0
Accrued Wages and Benefits	731,092	151,861	3,933	0
Compensated Absences Payable	5,629	1,413	0	0
Retainage Payable	0	0	566,209	0
Interfund Payable	0	10,695	0	0
Due to Other Funds	0	3,200	0	0
Intergovernmental Payable	196,267	41,531	900	0
Deferred Revenue	2,210,209	178,904	5,251,465	316,464
Due to Students	0	0	0	0
Energy Conservation Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
	3,166,137	397,977	7,566,437	316,464
Total Liabilities				
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	95,889	49,392	13,836,955	0
Reserved for School Bus Purchase	268,887	0	0	0
Reserved for Property Taxes	87,907	1,658	9,952	10,947
Reserved for Budget Stabilization	56,688	0	0	0
Unreserved:				
Designated	55,540	0	0	0
Undesignated (Deficit)	2,448,434	1,248,405	(249,385)	198,402
	3,013,345	1,299,455	13,597,522	209,349
Total Fund Equity and Other Credits				
	\$6,179,482	\$1,697,432	\$21,163,959	\$525,813

See accompanying notes to the general purpose financial statements

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$2,489	\$0	\$0	\$0	\$28,896
0	0	0	0	1,750,836
23,800	0	0	0	910,686
37,510	0	0	856,723	901,275
0	0	0	0	566,209
1,610	0	0	0	12,305
0	0	0	0	3,200
13,737	0	0	110,732	363,167
4,880	0	0	0	7,961,922
0	31,903	0	0	31,903
0	0	0	155,000	155,000
0	0	0	3,475,000	3,475,000
84,026	31,903	0	4,597,455	16,160,399
0	0	22,458,805	0	22,458,805
63,394	0	0	0	63,394
0	0	0	0	13,982,236
0	0	0	0	268,887
0	0	0	0	110,464
0	0	0	0	56,688
0	0	0	0	55,540
0	4,042	0	0	3,649,898
63,394	4,042	22,458,805	0	40,645,912
\$147,420	\$35,945	\$22,458,805	\$4,597,455	\$56,806,311

WELLSTON CITY SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances
 All Governmental Fund Types and Similar Trust Fund
 For the Year Ended June 30, 2001

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Capital Projects	Debt Service
Revenues:				
Property Taxes	\$2,130,015	\$45,465	\$229,921	\$300,068
Intergovernmental	7,106,086	1,943,571	19,775,125	16,347
Interest	231,198	8,889	581,193	7,579
Tuition and Fees	7,571	2,500	0	0
Rent	3,310	0	0	0
Extracurricular Activities	0	110,141	0	0
Gifts and Donations	21,591	11,125	0	0
Miscellaneous	94,033	4,921	0	0
Total Revenues	9,593,804	2,126,612	20,586,239	323,994
Expenditures:				
Current:				
Instruction:				
Regular	4,114,933	654,669	0	0
Special	1,257,942	482,860	0	0
Vocational	229,936	0	0	0
Adult/Continuing	6,792	0	0	0
Other	64,951	0	0	0
Support Services:				
Pupils	488,523	88,622	0	0
Instructional Staff	303,965	230,606	0	0
Board of Education	65,521	333	0	0
Administration	633,808	77,954	0	0
Fiscal	292,568	2,017	0	9,893
Operation and Maintenance of Plant	756,586	12,456	0	0
Pupil Transportation	633,775	22,838	0	0
Central	78,748	1,815	0	0
Operation of Non-Instructional Services	0	51,190	0	0
Extracurricular Activities	106,240	108,326	0	0
Capital Outlay	0	0	13,809,550	0
Debt Service:				
Principal Retirement	0	0	0	150,000
Interest and Fiscal Charges	0	0	0	187,358
Total Expenditures	9,034,288	1,733,686	13,809,550	347,251
Excess of Revenues Over (Under) Expenditures	559,516	392,926	6,776,689	(23,257)
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	1,805	0	0	0
Operating Transfers - In	0	0	0	76,156
Operating Transfers - Out	(87,437)	0	0	0
Total Other Financing Sources (Uses)	(85,632)	0	0	76,156
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	473,884	392,926	6,776,689	52,899
Fund Balances at Beginning of Year (As restated- See Note 3)	2,539,461	906,529	6,820,833	156,450
Fund Balances at End of Year	\$3,013,345	\$1,299,455	\$13,597,522	\$209,349

See accompanying notes to the general purpose financial statements

FIDUCIARY FUND TYPE Expendable Trust	Totals (Memorandum Only)
\$0	\$2,705,469
0	28,841,129
0	828,859
0	10,071
0	3,310
0	110,141
3,400	36,116
0	98,954
<u>3,400</u>	<u>32,634,049</u>
3,038	4,772,640
0	1,740,802
0	229,936
0	6,792
0	64,951
0	577,145
0	534,571
0	65,854
3,352	715,114
0	304,478
0	769,042
0	656,613
0	80,563
0	51,190
0	214,566
0	13,809,550
0	150,000
0	187,358
<u>6,390</u>	<u>24,931,165</u>
<u>(2,990)</u>	<u>7,702,884</u>
0	1,805
0	76,156
0	(87,437)
<u>0</u>	<u>(9,476)</u>
(2,990)	7,693,408
<u>7,032</u>	<u>10,430,305</u>
<u>\$4,042</u>	<u>\$18,123,713</u>

WELLSTON CITY SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Similar Trust Fund
 For the Year Ended June 30, 2001

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$2,079,650	\$2,079,650	\$0	\$44,515	\$44,515	\$0
Intergovernmental	7,127,860	7,127,860	0	1,979,421	1,911,420	(68,001)
Interest	216,136	231,198	15,062	8,340	8,889	549
Tuition and Fees	9,221	9,221	0	2,500	2,500	0
Rent	3,580	3,580	0	0	0	0
Extracurricular	0	0	0	112,280	108,405	(3,875)
Gifts and Donations	21,592	21,592	0	12,170	11,125	(1,045)
Miscellaneous	111,500	74,174	(37,326)	4,916	4,916	0
Total Revenues	9,569,539	9,547,275	(22,264)	2,164,142	2,091,770	(72,372)
Expenditures:						
Current:						
Instruction:						
Regular	4,105,510	4,105,510	0	687,797	687,797	0
Special	1,256,091	1,256,091	0	499,151	499,151	0
Vocational	219,826	219,826	0	0	0	0
Adult/Continuing	6,791	6,791	0	0	0	0
Other	64,096	64,096	0	0	0	0
Support Services:						
Pupils	507,033	507,033	0	92,603	92,603	0
Instructional Staff	278,936	278,936	0	235,352	235,352	0
Board of Education	83,472	83,472	0	333	333	0
Administration	687,916	687,916	0	79,326	79,326	0
Fiscal	310,499	310,499	0	2,082	2,082	0
Operation and Maintenance of Plant	803,652	803,652	0	14,180	14,180	0
Pupil Transportation	658,355	658,355	0	18,855	18,855	0
Central	77,663	77,663	0	1,814	1,814	0
Non-Instructional Services	0	0	0	63,586	63,586	0
Extracurricular Activities	104,741	104,741	0	118,610	118,610	0
Capital Outlay	0	0	0	0	0	0
Debt Services:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,164,581	9,164,581	0	1,813,689	1,813,689	0
Excess of Revenues Over (Under) Expenditures	404,958	382,694	(22,264)	350,453	278,081	(72,372)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	1,805	1,805	0	0	0	0
Refund of Prior Year Expenditures	243	243	0	0	0	0
Operating Transfers - In	0	0	0	9,590	0	(9,590)
Operating Transfers - Out	(87,437)	(87,437)	0	0	0	0
Advances In	60,043	60,043	0	8,695	8,695	0
Advances Out	(13,305)	(13,305)	0	(30,000)	(30,000)	0
Total Other Financing Sources (Uses)	(38,651)	(38,651)	0	(11,715)	(21,305)	(9,590)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	366,307	344,043	(22,264)	338,738	256,776	(81,962)
Fund Balances at Beginning of Year	3,158,038	3,158,038	0	1,079,443	1,079,443	0
Prior Year Encumbrance Appropriated	212,097	212,097	0	87,117	87,117	0
Fund Balances at End of Year	\$3,736,442	\$3,714,178	(\$22,264)	\$1,505,298	\$1,423,336	(\$81,962)

See accompanying notes to the general purpose financial statements.

CAPITAL PROJECTS FUNDS			DEBT SERVICE FUND			EXPENDABLE TRUST FUND		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$224,219	\$224,219	\$0	\$293,796	\$293,796	\$0	\$0	\$0	\$0
19,781,905	19,768,905	(13,000)	16,347	16,347	0	0	0	0
530,488	581,193	50,705	6,924	7,579	655	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	3,400	3,400	0
0	0	0	0	0	0	0	0	0
<u>20,536,612</u>	<u>20,574,317</u>	<u>37,705</u>	<u>317,067</u>	<u>317,722</u>	<u>655</u>	<u>3,400</u>	<u>3,400</u>	<u>0</u>
11,700	11,700	0	0	0	0	3,038	3,038	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	0
60,333	60,333	0	0	0	0	0	0	0
11,090	11,090	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	3,352	3,352	0
7,562	7,562	0	9,893	9,893	0	0	0	0
468	468	0	0	0	0	0	0	0
125,541	125,541	0	0	0	0	0	0	0
5,917	5,917	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
26,981,765	26,981,765	0	0	0	0	0	0	0
0	0	0	150,000	150,000	0	0	0	0
0	0	0	187,358	187,358	0	0	0	0
<u>27,204,376</u>	<u>27,204,376</u>	<u>0</u>	<u>347,251</u>	<u>347,251</u>	<u>0</u>	<u>6,390</u>	<u>6,390</u>	<u>0</u>
<u>(6,667,764)</u>	<u>(6,630,059)</u>	<u>37,705</u>	<u>(30,184)</u>	<u>(29,529)</u>	<u>655</u>	<u>(2,990)</u>	<u>(2,990)</u>	<u>0</u>
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	76,156	76,156	0	0	0	0
0	0	0	0	0	0	0	0	0
3,000	3,000	0	0	0	0	0	0	0
(23,043)	(23,043)	0	0	0	0	0	0	0
<u>(20,043)</u>	<u>(20,043)</u>	<u>0</u>	<u>76,156</u>	<u>76,156</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(6,687,807)	(6,650,102)	37,705	45,972	46,627	655	(2,990)	(2,990)	0
7,067,984	7,067,984	0	151,775	151,775	0	6,859	6,859	0
14,171	14,171	0	0	0	0	173	173	0
<u>\$394,348</u>	<u>\$432,053</u>	<u>\$37,705</u>	<u>\$197,747</u>	<u>\$198,402</u>	<u>\$655</u>	<u>\$4,042</u>	<u>\$4,042</u>	<u>\$0</u>

WELLSTON CITY SCHOOL DISTRICT
 Combined Statement of Revenues, Expenses
 and Changes in Retained Earnings
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2001

	<u>ENTERPRISE</u>
Operating Revenues:	
Sales	\$137,335
 Total Operating Revenues	 137,335
Operating Expenses:	
Salaries	177,470
Fringe Benefits	78,472
Purchased Services	626
Materials and Supplies	61,109
Cost of Sales	122,096
Depreciation	3,722
 Total Operating Expenses	 443,495
 Operating Loss	 (306,160)
 Non-Operating Revenues:	
 Federal Donated Commodities	 27,399
Interest	2,152
Federal and State Subsidies	261,104
 Total Non-Operating Revenues	 290,655
 Net Loss Before Operating Transfers	 (15,505)
 Operating Transfers In	 11,281
 Net Loss	 (4,224)
 Retained Earnings at Beginning of Year (As restated- See Note 3)	 67,618
 Retained Earnings at End of Year	 \$63,394

See accompanying notes to the general purpose financial statements

WELLSTON CITY SCHOOL DISTRICT
 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, 2001

	ENTERPRISE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$137,335	\$137,335	\$0
Interest	1,961	2,152	191
Federal and State Subsidies	261,104	261,104	0
	400,400	400,591	191
Total Revenues			
Expenses:			
Salaries	179,830	179,830	0
Fringe Benefits	82,177	82,177	0
Purchased Services	626	626	0
Materials and Supplies	165,466	165,466	0
	428,099	428,099	0
Total Operating Expenses			
Excess of Revenues Under Expenses	(27,699)	(27,508)	191
Advances In	1,610	1,610	0
Advances Out	(7,000)	(7,000)	0
Operating Transfers In	11,281	11,281	0
	(21,808)	(21,617)	191
Excess of Revenues Under Expenses, Advances and Transfers			
Fund Equity at Beginning of Year	109,680	109,680	0
Prior Year Encumbrances Appropriated			
Prior Year Encumbrances Appropriated	618	618	0
	\$88,490	\$88,681	\$191
Fund Equity at End of Year			

See accompanying notes to the general purpose financial statements

WELLSTON CITY SCHOOL DISTRICT
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2001

	ENTERPRISE
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$137,335
Cash Payments to Suppliers for Goods and Services	(262,008)
Cash Payments for Employees Services and Benefits	(154,817)
Net Cash Used for Operating Activities	(279,490)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	261,104
Advances In	1,610
Advances Out	(7,000)
Operating Transfers In	11,281
Net Cash Provided by Noncapital Financing Activities	266,995
Cash Flows from Investing Activities:	
Interest on Investments	2,152
Net Decrease in Cash and Cash Equivalents	(10,343)
Cash and Cash Equivalents at Beginning of Year	110,298
Cash and Cash Equivalents at End of Year	\$99,955
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$306,160)
Adjustments to Reconcile Operating Loss to Loss to Net Cash	
Net Cash Used for Operating Activities:	
Depreciation	0
Donated Commodities Used During Year	0
Depreciation	3,722
Donated Commodities Used During Year	27,399
Changes in Assets and Liabilities:	
Increase in Inventory Held for Resale	(527)
Increase in Materials and Supplies Inventory	(349)
Increase in Intergovernmental Receivable	(18)
Increase in Accounts Payable	2,490
Decrease in Accrued Wages and Benefits Payable	(613)
Decrease in Compensated Absences Payable	(2,675)
Decrease in Intergovernmental Payable	(2,759)
Total Adjustments	26,670
Net Cash Used for Operating Activities	(\$279,490)

See accompanying notes to the general purpose financial statements

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 authorized by state statute and/or federal guidelines. The School District serves an area of approximately 22 square miles. It is located in Jackson County and includes all of the territory of the City of Wellston, and portions of Coalton Village, and Milton Township. It is staffed by 62 non-certified employees and 135 certified full-time teaching personnel who provide services to 1,800 students and other community members. The School District currently operates four instructional buildings, one administrative building, a maintenance garage and a bus garage.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, agencies and offices 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. The School District has no component units.

The School District is associated with two jointly governed organizations and 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, which are presented in Notes 15 and 16 to the general purpose financial statements.

The following activities are included within the reporting entity.

Parochial Schools The Saint Peter and Paul Catholic School operates within the School District boundaries. 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 school. This activity is reflected in a special revenue fund for financial reporting purposes.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Wellston City School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 on 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 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 or fiduciary 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 major capital projects) that are legally restricted to expenditures 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 obligation 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 School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 is the School District's proprietary fund type:

Enterprise Funds The enterprise funds are used to account for School Districts activities 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 governments 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. 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 liabilities 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 or trust fund.

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 or trust fund.

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 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 (i.e., revenues) and decreases (i.e., 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 School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time 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.

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Budgetary Process

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 appropriations 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 fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow and are intended to be repaid.

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 Jackson County Budget Commission for rate determination.

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County 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 statement reflect the amounts in the final amended certificate issued during fiscal year 2001.

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 enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. The allocation of appropriations to the function and object within a fund may be modified during the year must be approved by the Board of Education. 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, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation 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.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

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. Expenditures plus encumbrances 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 Cash Equivalents

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 records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 2001, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2001.

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 2001 amounted to \$231,198, which includes \$182,938 assigned from other School District funds. The special revenue, capital projects, debt service and enterprise funds received interest revenue of \$8,889, \$581,193, \$7,579 and \$2,152, 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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. 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 21 for additional information regarding set-asides. Retainage amounts at June 30, 2001 have been restricted and are presented as "Cash and Cash Equivalents" on the balance sheet.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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/expenses is reported in the year in which the services are consumed.

G. 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 expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food and purchased food and are expensed when used.

H. 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 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 date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

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".

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 available expendable financial resources. Payments made more than sixty days after fiscal year end are generally considered not to have been made with current available financial resources. Long-term loans and bonds are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

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.

Non-recurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for 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.

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America 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.

N. Estimates

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

O. Designation of Fund Balance

The School District had a fund balance designation on the balance sheet for additional money set-aside by the Board of Education above the reserve for budget stabilization required by State statute.

P. Totals Columns on General Purpose Financial Statements

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 3 - Changes in Accounting Principles and Restatement of Fund Balance

Changes in Accounting Principles For fiscal year 2001, the School District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 36, *Reporting for Certain Shared Nonexchange Revenues* (an amendment of GASB Statement No. 33). The implementation of GASB Statements No. 33 and 36 required that certain adjustments be recorded to the July 1, 2000 fund balances/retained earnings as previously reported. The restatements to the opening fund balances/retained earnings are as follows:

Fund Type	Previously Stated Balances at 6/30/00	Adjustments	Restated Balance at 7/1/00
General	\$2,482,418	\$57,043	\$2,539,461
Special Revenue	\$936,529	(\$30,000)	\$906,529
Capital Projects	\$6,840,876	(\$20,043)	\$6,820,833
Enterprise	\$74,618	(\$7,000)	\$67,618

Also, due to the implementation of GASB 33 and 36, previously reported intergovernmental receivables and deferred revenue were understated by \$23,843,064 in the Capital Projects Fund Type. This restatement is made to record the remaining amount of the "Classroom Facilities Program" grant awarded to the School District on December 16, 1998.

Note 4 - Accountability

Fund Deficits

The following fund had a deficit fund balance as of June 30, 2001:

	Deficit
Special Revenue Fund:	
Local Grants	\$1,341

The deficit in the special revenue fund was the result of the recognition of payables in accordance with accounting principles generally accepted in the United States of America . The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 5 - 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 accounting principles generally accepted in the United States of America (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 Similar Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type 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).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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	Capital Projects	Debt Service	Expendable Trust
GAAP Basis	\$473,884	\$392,926	\$6,776,689	\$52,899	(\$2,990)
Revenue Accruals	(46,286)	(58,531)	(11,922)	(6,272)	0
Expenditure Accruals	(3,941)	(21,336)	2,069,443	0	0
Unreported Cash	0	23,689	0	0	0
Prepaid Items	(16,671)	0	0	0	0
Advances	46,738	(21,305)	(20,043)	0	0
Encumbrances	(109,681)	(58,667)	(15,464,269)	0	0
Budget Basis	<u>\$344,043</u>	<u>\$256,776</u>	<u>(\$6,650,102)</u>	<u>\$46,627</u>	<u>(\$2,990)</u>

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 5 - Budgetary Basis of Accounting (Continued)

Net Loss/Excess of Revenues Under Expenses and Advances All Proprietary Fund Type	
	Enterprise
GAAP Basis	(\$4,224)
Revenue Accruals	(27,399)
Expense Accruals	23,972
Materials and Supplies Inventory	349
Advances	(5,390)
Inventory Held for Resale	(1,373)
Depreciation Expense	3,722
Encumbrances	(11,274)
Budget Basis	(\$21,617)

Note 6 - 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 that 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 or deposit 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 monies deposited with the institution. Interim monies to be deposited or invested in the following securities:

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 6 - Deposits and Investments (Continued)

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

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

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*.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 6 - Deposits and Investments (Continued)

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$2,709,581 and the bank balance was \$2,821,738. Of the bank balance:

1. \$130,491 was covered by federal depository insurance; and
2. \$2,691,247 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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 fiscal 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 counter party'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.

	<u>Fair Value</u>
STAR Ohio	\$18,850,594

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
<i>GASB Statement 9</i>	\$21,560,175	\$0
STAROhio	(18,850,594)	18,850,594
<i>GASB Statement 3</i>	<u>\$2,709,581</u>	<u>\$18,850,594</u>

Note 7 - 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 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 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

Wellston City School District

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 7 - Property Taxes (Continued)

Real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2002.

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. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second Half Collections		2001 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$68,731,160	74.30%	\$70,175,130	74.09%
Public Utility Personal	8,702,590	9.40%	8,669,860	9.15%
Tangible Personal Property	15,074,638	16.30%	15,874,515	16.76%
	<u>\$92,508,388</u>	<u>100.00%</u>	<u>\$94,719,505</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.30		\$33.30	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Wellston City School District

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 7 - Property Taxes (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. Also intended to finance current fiscal year operations is the June 30 personal property tax settlement that wasn't received until July, 2001 in the amount of \$26,047 in the general fund, \$2,949 in the permanent improvement fund, \$3,244 in the bond retirement debt service fund, and \$491 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2001, was \$77,733. \$61,860 was available to the general fund, \$7,003 was available to the permanent improvement fund, \$7,703 was available to the bond retirement debt service fund, and \$1,167 was available to the classroom maintenance special revenue fund.

Note 8 - Receivables

Receivables at June 30, 2001 consisted of property taxes, accounts (billings for user charged services, vendors commissions, and tuition and fees), interfund, 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 fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
Miscellaneous Revenue	\$576
Community Alternative Funding System	<u>35,528</u>
Total General Fund	<u>36,104</u>
Special Revenue Funds:	
Miscellaneous Revenue	68
Eisenhower	1,193
Title I	68,387
Chapter II	4,899
Drug Free Schools	2,945
Performance Incentive	8,000
Reading Excellency	89,015
Title VI-R	<u>7,896</u>
Total Special Revenue Funds	<u>182,403</u>
Capital Projects Fund:	
Ohio School Facilities	5,075,650
Interactive Video Distance Learning	<u>6,220</u>
	<u>5,081,870</u>
Enterprise Fund:	
Miscellaneous Revenue	<u>18</u>
Total Intergovernmental Receivables	<u><u>\$5,300,395</u></u>

Wellston City School District

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 8 - Receivables (Continued)

On December 16, 1998, the School District was awarded \$28,075,488 for the construction of new elementary, middle, and high school under the State's "Classroom Facilities Program." Under this program, the School District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Historically, the School District repaid the State, if the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil, in lieu of repayment, the School District set-aside the funds that would have been used for repayment to the State for facilities maintenance. As part of the 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. Legislation effective September 15, 2000, eliminated any possibility that money received by the School District under this program will need to be repaid. As of the end of fiscal year 2001, the School District had received \$22,999,838 of the amount awarded under this program. The remaining amount of \$5,075,650 is recorded as a receivable and a deferred revenue on the balance sheet.

Note 9 - Fixed Assets

A summary of the Proprietary Funds' fixed assets at June 30, 2001, follows:

	Enterprise Fund
Furniture and Equipment	\$143,716
Less: Accumulated Depreciation	(105,563)
Net Fixed Assets	\$38,153

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance 06/30/00	Additions	Deletions	Balance 06/30/01
Land and Improvements	\$347,508	\$0	\$4,200	\$343,308
Buildings	2,792,804	0	0	2,792,804
Furniture and Equipment	2,060,001	116,781	25,460	2,151,322
Vehicles	894,120	191,770	0	1,085,890
Textbooks	1,284,221	0	0	1,284,221
Construction in Progress	1,712,023	13,089,237	0	14,801,260
Total	\$9,090,677	\$13,397,788	\$29,660	\$22,458,805

Note 10 - 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 2001, 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.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 10 - Risk Management (Continued)

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.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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 North Fourth Street, Columbus, Ohio 43215-3634.

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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the 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, 2001, 2000, and 1999 were \$45,532, \$55,977 and \$77,769 respectively; 30.87 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$31,475 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 11 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic 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 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. 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, 2001, 2000, and 1999 were \$527,649, \$314,093 and \$235,261, respectively; 84.95 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$79,390 represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

Note 12 - 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-certificated 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 funded 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 cost 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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$249,939 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 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 the premium.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 12 - 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, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. 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 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$128,984.

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 annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 13 - Employee Benefits

A. 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 \$692.51 for family coverage and \$277.16 for single coverage. The School District pays 99% of both family and single coverage premiums.

B. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Certified employees may accumulate up to 160 days of sick leave and classified employees may accumulate up to 200 days of sick leave. Upon retirement, payment is made of 35 percent to certified employees, up to a maximum of 56 days, and 30 percent to classified employees, up to a maximum of 60 days.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 14 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
Energy Conservation Notes 1993 5.95%	\$40,000	\$0	\$10,000	\$30,000
Energy Conservation Notes 1992 5.95%	180,000	0	55,000	125,000
School Facilities Bond 1999 3.3% - 5.85%	3,560,000	0	85,000	3,475,000
Compensated Absences	837,162	161,866	142,305	856,723
Pension Obligation	133,617	110,732	133,617	110,732
Total General Long-Term Obligations	\$4,750,779	\$272,598	\$425,922	\$4,597,455

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 \$28,075,488 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 5.8 mill levy. 5.3 mills will be used to repay the debt issue which provides the matching funds required of the School District as a condition of the State Loan. The remaining .5 mill is used for the retirement of the loan, which will be in effect for twenty-three years or until the loans with the State are repaid, whichever comes first. If a balance remains after twenty-three years, the unpaid balance on the loan will be forgiven.

Wellston City School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$28,075,488 classroom facilities grant to the State. 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. The School District received \$18,767,414 during fiscal year 2001 under this program which was recorded as intergovernmental revenue in the capital projects funds.

Wellston City School District

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 14 - Long-Term Obligations (Continued)

The School District's overall legal debt margin was \$5,259,104, with an unvoted debt margin of \$94,720 at June 30, 2001. Principal and interest requirements to retire school facilities bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	105,000	157,622	262,622
2007 – 2011	640,000	709,304	1,349,304
2012 – 2016	875,000	513,173	1,388,173
2017 – 2021	1,195,000	228,517	1,423,517
2022	285,000	7,125	292,125
Total	<u>\$3,475,000</u>	<u>\$2,296,340</u>	<u>\$5,771,340</u>

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2001, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2002	\$70,000	\$7,140	\$77,140
2003	75,000	2,826	77,826
2004	10,000	298	10,298
Total	<u>\$155,000</u>	<u>\$10,264</u>	<u>\$165,264</u>

Note 15 - 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.

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 2001, the Wellston City School District paid \$23,553 to SEOVEC.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 15 - Jointly Governed Organizations (Continued)

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. 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 16 - 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 17 - Interfund Transactions

Interfund balances at June 30, 2001, consist of the following individual interfund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$12,305	\$0
Special Revenue Fund:		
District Managed Activities	0	2,000
Eisenhower	0	3,695
Miscellaneous Federal Grants	0	5,000
Total Special Revenue Funds	<u>0</u>	<u>10,695</u>
Enterprise Fund:		
Uniform School Supply	0	1,610
Total All Funds	<u><u>\$12,305</u></u>	<u><u>\$12,305</u></u>

Due from Other Funds and Due to Other Funds at June 30, 2001, consisted of the following:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$3,200	\$0
Special Revenue Funds:		
Title VI-B	0	3,200
Total All Funds	<u><u>\$3,200</u></u>	<u><u>\$3,200</u></u>

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 18 - 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, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$109,852	\$27,483	\$137,335
Operating Expenses (Less Depreciation)	406,317	33,456	439,773
Depreciation	3,722	0	3,722
Operating Loss	(300,187)	(5,973)	(306,160)
Donated Commodities	27,399	0	27,399
Operating Grants	261,104	0	261,104
Operating Transfers	0	11,281	11,281
Net Income (Loss)	(9,532)	5,308	(4,224)
Net Working Capital	23,032	39,719	62,751
Total Assets	103,602	43,818	147,420
Long-Term Compensated Absences Payable	37,510	0	37,510
Total Equity	23,675	39,719	63,394
Encumbrances, June 30, 2001	8,509	2,766	11,275

Note 19 - Contingencies

A. Grants

The School District receives 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, 2001.

B. Litigation

The School District is a party to legal proceedings. The School District management 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.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 20 - Contractual Commitments

As of June 30, 2001, the School District had contractual purchase commitments for the completion of construction of the new elementary, middle, and high schools as follows:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/01
A.J. Stockmeister	\$3,532,692	\$1,410,400	\$2,122,292
Accurate Electric	1,166,523	340,543	825,980
Action Builders	489,263	19,600	469,663
BBL Construction	1,638,194	1,187,544	450,650
Central Fire Protection	362,777	77,775	285,002
Control Solutions	444,562	118,136	326,426
Croson Teepe, LLP	1,270,028	524,584	745,444
Demarco, Inc.	351,030	59,955	291,075
Farnham Equipment	635,000	73,905	561,095
J & H Reinforcing and Structural	6,565,624	3,003,352	3,562,272
Lucent Technologies	1,093,000	0	1,093,000
OKI Window Systems	525,500	13,300	512,200
R.F. Scurlock Company	3,085,758	1,695,871	1,389,887
Raygal Design Associates	499,131	0	499,131
Riverside Masonry	3,814,401	2,021,298	1,793,103
S.O.S. Electric	1,335,475	544,821	790,654
Stevens Construction	130,643	120,141	10,502
Stockmeister Enterprises	2,463,510	1,984,955	478,555
Triad Architects	\$1,910,961	\$1,724,681	\$186,280
Total	\$31,314,072	\$14,920,861	\$16,393,211

Wellston City School District

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 21 - Set-Aside Calculations

The Wellston City 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 requirement for the establishment of a Budget Stabilization Reserve set-aside has been eliminated by Senate Bill 345. A School District may still establish reserve balance accounts consistent with Section 5705.13 R.C., if it so chooses; however, the requirement is no longer mandatory. According to Senate Bill 345, any money on hand in a School District's budget reserve set aside as of April 10, 2001, may at the discretion of the board be returned to the district's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future fiscal years. The statute also authorized the school district to use all or part of the funds formerly included in the budget reserve for the purpose of providing the district's portion of the basic project costs of any project undertaken in accordance with Chapter 3318, R.C., Classroom Facilities.

Senate Bill 345 placed special conditions on any Bureau of Workers' Compensation (BWC) monies remaining in the budget reserve set aside as of April 10, 2001. Any portion of the budget reserve set aside consisting of refunds or rebates from BWC that were previously required by law to be deposited into the budget reserve may be used solely for the following purposes:

- < To offset a budget deficit;
- < For school facility construction, renovation or repair;
- < For textbooks or instructional materials, including science equipment or laboratories;
- < For the purchase of school buses; or
- < For professional development of teachers.

BWC refunds or rebates received after April 10, 2001 are not required to be deposited into the school district's budget reserve.

The School District decided to maintain the budget stabilization reserve consistent with Section 5705.13 R.C. The School District has left the BWC monies in the amount of \$56,688 in the budget stabilization reserve as required, and has included the remaining amount of \$55,540 in the General fund as a designated fund balance to also be used in accordance with Section 5705.13 R.C.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2000	\$0	\$0	\$112,228
Current year set-aside requirement	186,452	186,452	0
Reduction in Budget Stabilization based on Statutory Revision	0	0	(55,540)
Qualifying Disbursements	(214,378)	(293,796)	0
Totals	(\$27,926)	(\$107,344)	\$56,688
Set-aside Balance Carried Forward to Future Fiscal Years	(\$27,926)	(\$107,344)	\$56,688
Set-aside Reserve Balance as of June 30, 2001	\$0	\$0	\$56,688

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 21 - Set-Aside Calculations (Continued)

The School District has qualifying disbursements during the fiscal year that reduced the textbook and capital improvement set-aside amounts below zero. The extra amounts in the textbooks and capital improvements set-asides may be used to reduce the set-aside requirements of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$56,688.

Note 22 - State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- < A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- < Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of September 28, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

WELLSTON CITY SCHOOL DISTRICT
 JACKSON COUNTY, OHIO
 Schedule of Federal Awards Expenditures
 For the Year Ended June 30, 2001

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Pass through the Ohio Department of Education</i>						
NUTRITION CLUSTER						
Food Distribution Program	N/A	10.550	\$0	\$28,246	\$0	\$28,246
School Breakfast Program	05-PU 00	10.553	57,535	0	57,535	0
National School Lunch Program	04-PU 00	10.555	187,062	0	187,062	0
Total Nutrition Cluster			<u>244,597</u>	<u>0</u>	<u>244,597</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>244,597</u>	<u>28,246</u>	<u>244,597</u>	<u>28,246</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	68,210	0	68,210	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	149,253	0	148,320	0
Special Education Preschool Grant	PG-S1 00 P	84.173	13,110	0	8,273	0
Total Special Education Cluster			<u>162,363</u>	<u>0</u>	<u>156,593</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1 00	84.010	580,171	0	545,323	0
Performance Incentive	G2-S1	84.215	30,388	0	26,602	0
Drug Free Schools Grant	DR-S1 00	84.186	7,648	0	8,849	0
Eisenhower Professional Development	MS-S1 00	84.281	10,734	0	11,086	0
Goals 2000	G2-S1-99 P	84.276	14,000	0	27,252	0
Class Size Reduction Subsidy	CR-S1-00	84.340	47,372	0	63,750	0
Reading Excellence Tutorial	RN-S2-00	84.338	69,970	0	62,258	0
Innovative Education Program Strategy	C2-S1-99	84.298	11,148	0	4,236	0
Total U.S. Department of Education			<u>933,794</u>	<u>0</u>	<u>905,949</u>	<u>0</u>
Total Federal Awards and Expenditures			<u>\$1,246,601</u>	<u>\$28,246</u>	<u>\$1,218,756</u>	<u>\$28,246</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

Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2001

Note A -Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the 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, 2001, the District had no significant food commodities in inventory.

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639 E-Mail: mbalcpa@bright.net

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 (the District), Jackson County, as of and for the yearended June 30, 2001, in which we indicated the District had changed its method of accounting for non-exchange transactions, and have issued our report thereon dated December 11, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

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.

Balestra & Company

Balestra & Company

December 11, 2001

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639 E-Mail: mbalcpa@bright.net

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Compliance With Requirements Applicable to Each Major Program and on 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 (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. The 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 the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 the 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 the District's compliance with those requirements.

In our opinion, the 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, 2001.

Internal Control Over Compliance

The management of the 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 the 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.

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 solely for the information and use 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.

Balestra & Company

Balestra & Company

December 11, 2001

**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY
JUNE 30, 2001**

**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):	Title I; CFDA # 84.010
(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, 2001**

**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
----------------	------

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

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 17, 2002**