
Wellston City School District

Jackson County

Single Audit

July 1 , 1998 Through June 30, 1999

Fiscal Year Audited Under GAGAS: 1999

Wellston City School District

Jackson County

Single Audit

July 1 , 1998 Through June 30, 1999

Fiscal Year Audited Under GAGAS: 1999

MICHAEL A. BALESTRA, CPA, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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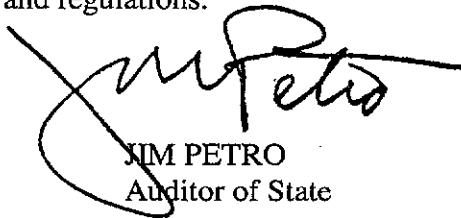
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Members of the Board of Education
Wellston City School District
416 N. Pennsylvania Avenue
Wellston, Ohio 45692

We have reviewed the Independent Auditor's Report of the Wellston City School District, Jackson County, prepared by Michael Balestra, CPA, Inc., for the audit period July 1, 1998 to June 30, 1999. 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

March 20, 2000

WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO

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MICHAEL A. BALESTRA, CPA, INC.
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Ohio Society of Certified Public
Accountants

Independent Auditors' Report

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

We have audited the accompanying general purpose financial statements of the Wellston City School District, Jackson County, as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Wellston City School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Wellston City School District, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2000, on our consideration of the Wellston City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

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

January 18, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS

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

WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,320,822	\$907,704	\$122,928	\$4,230,950
Receivables:				
Property Taxes	2,315,629	39,575	316,741	229,052
Accounts	2,405	385	0	0
Intergovernmental	127,050	31,388	14,325	0
Interfund	186,462	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Prepaid Items	2,672	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	195,851	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$5,150,891	\$979,052	\$453,994	\$4,460,002

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			
\$72,298	\$48,650	\$0	\$0	\$7,703,352
0	0	0	0	2,900,997
0	0	0	0	2,790
32,529	0	0	0	205,292
0	0	0	0	186,462
7,748	0	0	0	7,748
611	0	0	0	611
0	0	0	0	2,672
0	0	0	0	195,851
46,305	0	7,218,793	0	7,265,098
0	0	0	128,096	128,096
0	0	0	4,762,375	4,762,375
<u>\$159,491</u>	<u>\$48,650</u>	<u>\$7,218,793</u>	<u>\$4,890,471</u>	<u>\$23,361,344</u>

(continued)

WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$28,494	\$13,880	\$0	\$0
Contracts Payable	0	0	0	6,685
Accrued Wages and Benefits Payable	663,796	155,367	0	760
Compensated Absences Payable	6,697	0	0	0
Retainage Payable	0	0	0	24,089
Interfund Payable	0	186,462	0	0
Intergovernmental Payable	136,287	25,822	0	500
Deferred Revenue	2,274,127	38,792	311,573	224,353
Due to Students	0	0	0	0
Energy Conservation Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,109,401	420,323	311,573	256,387
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	44,184	17,572	0	72,308
Reserved for Textbooks	15,396	0	0	0
Reserved for Property Taxes	25,967	783	3,234	4,699
Reserved for Budget Stabilization	112,228	0	0	0
Reserved for Bus Purchases	68,227	0	0	0
Unreserved, Undesignated	1,775,488	540,374	139,187	4,126,608
Total Fund Equity and Other Credits	2,041,490	558,729	142,421	4,203,615
Total Liabilities, Fund Equity and Other Credits	\$5,150,891	\$979,052	\$453,994	\$4,460,002

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			
\$60	\$132	\$0	\$0	\$42,566
0	0	0	0	6,685
26,497	0	0	0	846,420
32,677	0	0	873,951	913,325
0	0	0	0	24,089
0	0	0	0	186,462
11,089	0	0	75,520	249,218
5,161	0	0	0	2,854,006
0	29,082	0	0	29,082
0	0	0	285,000	285,000
0	0	0	3,656,000	3,656,000
<u>75,484</u>	<u>29,214</u>	<u>0</u>	<u>4,890,471</u>	<u>9,092,853</u>
0	0	7,218,793	0	7,218,793
84,007	0	0	0	84,007
0	149	0	0	134,213
0	0	0	0	15,396
0	0	0	0	34,683
0	0	0	0	112,228
0	0	0	0	68,227
0	19,287	0	0	6,600,944
<u>84,007</u>	<u>19,436</u>	<u>7,218,793</u>	<u>0</u>	<u>14,268,491</u>
<u>\$159,491</u>	<u>\$48,650</u>	<u>\$7,218,793</u>	<u>\$4,890,471</u>	<u>\$23,361,344</u>

WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property Taxes	\$1,690,614	\$19,380	\$127,905	\$277,469	\$0	\$2,115,368
Intergovernmental	6,916,738	1,395,140	14,325	945,051	0	9,271,254
Interest	134,426	1,545	4,387	10,425	0	150,783
Tuition and Fees	12,904	0	0	0	0	12,904
Rent	3,100	0	0	0	0	3,100
Extracurricular Activities	0	86,090	0	0	0	86,090
Gifts and Donations	19,121	32,937	0	0	5,025	57,083
Miscellaneous	112,553	5,660	0	0	0	118,213
Total Revenues	8,889,456	1,540,752	146,617	1,232,945	5,025	11,814,795
Expenditures:						
Current:						
Instruction						
Regular	3,794,930	556,223	0	124,809	8,843	4,484,805
Special	812,369	585,844	0	0	0	1,398,213
Vocational	218,804	0	0	0	0	218,804
Other	42,653	0	0	0	0	42,653
Support Services						
Pupils	699,535	27,715	0	88,513	0	815,763
Instructional Staff	78,747	212,388	0	0	0	291,135
Board of Education	163,661	0	0	0	0	163,661
Administration	583,737	24,799	0	0	714	609,250
Fiscal	260,335	638	4,196	7,721	0	272,890
Operation and Maintenance of Plant	667,455	18,189	0	30,774	0	716,418
Pupil Transportation	513,485	398	0	77,717	0	591,600
Central	10,105	868	0	7,065	0	18,038
Non-Instructional Services	48,139	77,445	0	0	0	125,584
Extracurricular Activities	80,515	91,178	0	0	0	171,693
Capital Outlay	47	0	0	992,666	0	992,713
Debt Service						
Principal Retirement	0	0	85,000	0	0	85,000
Interest and Fiscal Charges	0	0	19,336	0	0	19,336
Total Expenditures	7,974,517	1,595,685	108,532	1,329,265	9,557	11,017,556
Excess of Revenues Over (Under) Expenditures	914,939	(54,933)	38,085	(96,320)	(4,532)	797,239
Other Financing Sources (Uses):						
Operating Transfers In	0	0	104,336	0	0	104,336
Proceeds from the Sale of General Obligation Bonds	0	0	0	3,656,000	0	3,656,000
Proceeds from the Sale of Fixed Assets	702	0	0	0	0	702
Operating Transfers Out	(115,954)	0	0	0	0	(115,954)
Total Other Financing Sources (Uses)	(115,252)	0	104,336	3,656,000	0	3,645,084
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	799,687	(54,933)	142,421	3,559,680	(4,532)	4,442,323
Fund Balances at Beginning of Year-Restated (Note 3)	1,241,803	613,662	0	643,935	23,968	2,523,368
Fund Balances at End of Year	\$2,041,490	\$558,729	\$142,421	\$4,203,615	\$19,436	\$6,965,691

See accompanying notes to the general purpose financial statements.

**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO**

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999

	General Fund			Special Revenue Funds			Debt Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Property Taxes	\$1,857,045	\$1,857,045	\$0	\$18,597	\$18,597	\$0	\$122,737	\$122,737	\$0
Intergovernmental	6,874,051	6,874,051	0	1,360,703	1,433,665	72,962	0	0	0
Interest	122,924	134,426	11,502	1,380	1,545	165	4,064	4,387	323
Tuition and Fees	13,479	13,479	0	0	0	0	0	0	0
Rent	3,100	3,100	0	0	0	0	0	0	0
Extracurricular Activities	0	0	0	86,165	86,165	0	0	0	0
Gifts and Donations	19,122	19,122	0	32,937	32,937	0	0	0	0
Miscellaneous	103,648	110,455	6,807	5,644	5,644	0	0	0	0
Total Revenues	8,993,369	9,011,678	18,309	1,505,426	1,578,553	73,127	126,801	127,124	323
Expenditures:									
Current:									
Instruction									
Regular	3,726,629	3,857,468	(130,839)	521,938	550,153	(28,215)	0	0	0
Special	815,104	815,104	0	580,466	586,844	(6,378)	0	0	0
Vocational	211,913	214,272	(2,359)	0	0	0	0	0	0
Other	37,906	38,519	(613)	0	0	0	0	0	0
Support Services									
Pupils	668,762	671,695	(2,933)	40,124	40,835	(711)	0	0	0
Instructional Staff	47,789	60,191	(12,402)	183,947	184,063	(116)	0	0	0
Board of Education	149,226	156,625	(7,399)	0	0	0	0	0	0
Administration	607,691	609,912	(2,221)	24,447	24,447	0	0	0	0
Fiscal	256,372	256,580	(208)	638	638	0	4,196	4,196	0
Operation and Maintenance of Plant	672,060	694,920	(22,860)	14,331	18,131	(3,800)	0	0	0
Pupil Transportation	527,364	537,699	(10,335)	71	71	0	0	0	0
Central	12,965	12,965	0	813	868	(55)	0	0	0
Non-Instructional Services	0	48,139	(48,139)	72,114	91,933	(19,819)	0	0	0
Extracurricular Activities	100,372	102,789	(2,417)	92,323	102,092	(9,769)	0	0	0
Capital Outlay	47	47	0	0	0	0	0	0	0
Debt Service:									
Principal Retirement	0	0	0	0	0	0	85,000	85,000	0
Interest and Fiscal Changes	0	0	0	0	0	0	19,336	19,336	0
Total Expenditures	7,834,200	8,076,925	(242,725)	1,531,412	1,600,075	(68,663)	108,532	108,532	0
Excess of Revenues Over (Under) Expenditures	1,159,169	934,753	(224,416)	(25,986)	(21,522)	4,464	18,269	18,592	323
Other Financing Sources (Uses):									
Operating Transfers In	0	0	0	0	0	0	104,336	104,336	0
Proceeds from the Sale of General Obligation Bonds	0	0	0	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	702	702	0	0	0	0	0	0	0
Advances In	26,612	26,612	0	182,962	182,962	0	0	0	0
Operating Transfers Out	(115,954)	(115,954)	0	0	0	0	0	0	0
Advances Out	(182,962)	(182,962)	0	(26,612)	(26,612)	0	0	0	0
Total Other Financing Sources (Uses)	(271,602)	(271,602)	0	156,350	156,350	0	104,336	104,336	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	887,567	663,151	(224,416)	130,364	134,828	4,464	122,605	122,928	323
Fund Balances at Beginning of Year	1,553,339	1,553,339	0	661,861	661,861	0	0	0	0
Prior Year Encumbrances Appropriated	242,725	242,725	0	68,664	68,664	0	0	0	0
Fund Balances (Deficits) at End of Year	\$2,683,631	\$2,459,215	(\$224,416)	\$860,889	\$865,353	\$4,464	\$122,605	\$122,928	\$323

See accompanying notes to the general purpose financial statements.

(Continued)

**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO**

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999
(Continued)

	Capital Projects Funds			Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Property Taxes	\$209,837	\$209,837	\$0	\$0	\$0	\$0	\$2,208,216	\$2,208,216	\$0
Intergovernmental	886,556	943,051	58,495	0	0	0	9,121,310	9,252,767	131,457
Interest	0	10,425	10,425	0	0	0	128,368	150,783	22,415
Tuition and Fees	0	0	0	0	0	0	13,479	13,479	0
Rent	0	0	0	0	0	0	3,100	3,100	0
Extracurricular Activities	0	0	0	0	0	0	86,165	86,165	0
Gifts and Donations	0	0	0	5,025	5,025	0	57,084	57,084	0
Miscellaneous	0	0	0	0	0	0	109,292	116,099	6,807
Total Revenues	1,096,393	1,165,313	68,920	5,025	5,025	0	11,727,014	11,887,693	160,679
Expenditures:									
Current:									
Instruction									
Regular	124,809	124,809	0	8,670	12,396	(3,726)	4,382,046	4,344,826	(162,780)
Special	0	0	0	0	0	0	1,395,370	1,401,948	(6,378)
Vocational	0	0	0	0	0	0	211,913	214,272	(2,359)
Other	0	0	0	0	0	0	37,906	38,519	(613)
Support Services									
Pupils	31,934	91,229	(59,295)	0	0	0	740,820	803,759	(62,939)
Instructional Staff	0	0	0	0	0	0	231,736	244,254	(12,518)
Board of Education	0	0	0	0	0	0	149,226	156,625	(7,399)
Administration	0	0	0	714	714	0	632,852	635,073	(2,221)
Fiscal	7,721	7,721	0	0	0	0	268,927	269,135	(208)
Operation and Maintenance of Plant	0	0	0	0	0	0	686,591	713,051	(26,460)
Pupil Transportation	21,321	81,464	(60,143)	0	0	0	548,756	619,234	(70,478)
Central	7,065	7,065	0	0	0	0	20,843	20,898	(55)
Non-Instructional Services	0	0	0	0	0	0	72,114	140,072	(67,958)
Extracurricular Activities	0	0	0	0	0	0	192,695	204,881	(12,186)
Capital Outlay	989,938	1,098,901	(108,963)	0	0	0	989,993	1,098,948	(108,963)
Debt Service:									
Principal Retirement	0	0	0	0	0	0	85,000	85,000	0
Interest and Fiscal Charges	0	0	0	0	0	0	19,336	19,336	0
Total Expenditures	1,182,788	1,411,189	(228,401)	9,384	13,110	(3,726)	10,666,316	11,209,831	(543,515)
Excess of Revenues Over (Under) Expenditures	(86,395)	(245,876)	(159,481)	(4,359)	(8,085)	(3,726)	1,060,698	677,862	(382,836)
Other Financing Sources (Uses):									
Operating Transfers In	0	0	0	0	0	0	104,336	104,336	0
Proceeds from the Sale of General Obligation Bonds	3,656,000	3,656,000	0	0	0	0	3,656,000	3,656,000	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0	702	702	0
Advances In	0	0	0	0	0	0	209,574	209,574	0
Operating Transfers Out	0	0	0	0	0	0	(115,954)	(115,954)	0
Advances Out	0	0	0	0	0	0	(209,574)	(209,574)	0
Total Other Financing Sources (Uses)	3,656,000	3,656,000	0	0	0	0	3,645,084	3,645,084	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,569,603	3,410,124	(159,481)	(4,359)	(8,085)	(3,726)	4,705,782	4,322,946	(382,836)
Fund Balances at Beginning of Year	518,362	518,362	0	23,646	23,646	0	2,757,208	2,757,208	0
Prior Year Encumbrances Appropriated	228,400	228,400	0	3,726	3,726	0	543,515	543,515	0
Fund Balances (Deficits) at End of Year	\$4,316,367	\$4,156,886	(\$159,481)	\$23,013	\$19,287	(\$3,726)	\$8,006,505	\$7,623,669	(\$382,836)

See accompanying notes to the general purpose financial statements.

WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO

Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	Enterprise Funds
<u>Operating Revenues:</u>	
Sales	\$146,768
Total Operating Revenues	146,768
<u>Operating Expenses:</u>	
Salaries	218,442
Fringe Benefits	23,658
Purchased Services	374
Materials and Supplies	29,645
Cost of Sales	157,629
Depreciation	3,995
Total Operating Expenses	433,743
Operating Loss	(286,975)
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	25,858
Interest	915
Federal and State Subsidies	239,365
Total Non-Operating Revenues	266,138
Net Loss Before Operating Transfers	(20,837)
Operating Transfers In	11,618
Net Loss	(9,219)
Retained Earnings at Beginning of Year Restated (Note 3)	93,226
Retained Earnings at End of Year	\$84,007

See accompanying notes to the general purpose financial statements.

WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO

Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$146,787	\$146,787	\$0
Interest	768	915	147
Federal and State Subsidies	206,836	206,836	0
Total Revenues	354,391	354,538	147
<u>Expenses</u>			
Salaries	163,778	163,778	0
Fringe Benefits	78,067	78,067	0
Purchased Services	374	374	0
Materials and Supplies	163,339	163,339	0
Total Operating Expenses	405,558	405,558	147
Excess of Revenues Under Expenses	(51,167)	(51,020)	147
Operating Transfers In	11,618	11,618	0
Excess of Revenues Under Expenses and Transfers	(39,549)	(39,402)	(147)
Fund Equity at Beginning of Year	108,373	108,373	0
Fund Equity at End of Year	\$68,824	\$68,971	(\$147)

See accompanying notes to the general purpose financial statements.

WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO

Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	Enterprise Funds
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$146,787
Cash Payments to Suppliers for Goods and Services	(160,386)
Cash Payments for Employee Services and Benefits	(241,845)
Net Cash Used for Operating Activities	(255,444)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	206,836
Operating Transfers In	11,618
Net Cash Provided by Noncapital Financing Activities	218,454
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	915
Net Decrease in Cash and Cash Equivalents	(36,075)
Cash and Cash Equivalents at Beginning of Year	108,373
Cash and Cash Equivalents at End of Year	\$72,298
Reconciliation of Operating Loss to Net	
<u>Cash Used for Operating Activities:</u>	
Operating Loss	(\$286,975)
Adjustments to Reconcile Operating Loss to	
<u>Net Cash Used for Operating Activities:</u>	
Depreciation	3,995
Donated Commodities Used During Year	25,858
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	19
Decrease in Inventory Held for Resale	1,321
Decrease in Materials and Supplies Inventory	23
Increase in Accounts Payable	60
Increase in Accrued Wages and Benefits Payable	5,343
Decrease in Compensated Absences Payable	(1,385)
Decrease in Intergovernmental Payable	(3,703)
Total Adjustments	31,531
Net Cash Used for Operating Activities	(\$255,444)

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, 1999

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 62 non-certificated employees, 130 certificated full time teaching personnel and 7 administrators who provide services to 1,704 students and other community members.

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

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

The following activities are included within the reporting entity.

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

The School District is associated with two jointly governed organizations, the Southeast Ohio Voluntary Educational Consortium (SEOVEC) and the Gallia-Jackson-Vinton Joint Vocational School District, and an insurance purchasing pool, the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are discussed in Note 17 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation - Fund Accounting

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

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

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

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

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

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

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

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

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation - Fund Accounting (continued)

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

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 2 - Summary of Significant Accounting Policies (continued)

B. Measurement Focus and Basis of Accounting (continued)

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Data

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

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

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate requested during fiscal year 1999.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 2 - Summary of Significant Accounting Policies (continued)

C. Budgetary Data (continued)

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

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

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

D. Cash and Investments

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

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 1999 amounted to \$134,426, which includes \$66,960 assigned from other School District funds.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 2 - Summary of Significant Accounting Policies (continued)

D. Cash and Investments (continued)

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

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food and expendable supplies held for consumption and are expended when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

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 furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

H. Intergovernmental Revenues

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 2 - Summary of Significant Accounting Policies (continued)

H. Intergovernmental Revenues (continued)

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

Entitlements

General Fund

State Foundation Program
School Bus Purchase
State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Title VI-B
Disadvantaged Pupil Program
Phonics Demonstration Grant
Eisenhower Grant
Vital Links Grant
School Security Equipment Grant
Parent Mentor Project
Vocational Education
Title I
Title II
Title VI
Drug Free Schools
Educational Management Information System
Professional Development
Textbook Subsidy
Venture Capital
School to Work
Goals 2000 Intervention

Capital Projects Funds

School Net Plus
Technology Equity
Emergency Repair Grant
Preschool Handicap Grant

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Breakfast Program
National School Lunch Program
Government Donated Commodities

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 2 - Summary of Significant Accounting Policies (continued)

H. Intergovernmental Revenues (continued)

Grants and entitlements received in governmental funds amounted to 78 percent of governmental fund revenue during the 1999 fiscal year.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring 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, 1999

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 a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks, capital acquisitions, bus purchases and budget stabilization.

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

N. 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 purchase of textbooks and instructional materials, budget stabilization and for the construction or acquisition of capital improvements. See Note 19 for the calculation of the year end restricted asset balance and the corresponding fund balance reserves.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

Note 3 - Prior Year Restatements

The following restatements of beginning fund balances/equity were made to correct prior year accounting errors:

<u>Fund</u>	<u>Audited Balance</u> <u>June 30, 1998</u>	<u>Adjustment</u>	<u>Restated Balance</u> <u>July 1, 1999</u>
General Fund	\$1,369,115	\$(127,312)	\$1,241,803
Special Revenue	947,443	(333,781)	613,662
Capital Projects	655,352	(11,417)	643,935
Enterprise	88,684	4,542	93,226

The General Long-Term Obligations Account Group increased \$63,778, from \$1,182,683 to \$1,246,461 as of June 30, 1998, due to the understatement of Compensated Absences Payable.

The General Fixed Assets Account Group decreased \$157,335, from \$1,045,430 to \$888,095 as of June 30, 1998.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 4 - Accountability and Compliance

A. Deficit Fund Balances

The following funds had deficit fund balances at June 30, 1999:

	Deficit Fund Balance
Special Revenue Funds:	
Local Grants	\$657
Title I	76,684
Preschool	975

The deficits in special revenue funds resulted from the application of generally accepted accounting principles. The general fund is liable for any deficit in the special revenue funds and provides operating transfers when cash is required, not when accruals occur.

B. Legal Compliance

The following funds had expenditures plus encumbrances which exceeded appropriations:

	Excess
General Fund	
Regular Instruction	\$130,839
Vocational Instruction	2,359
Other Instruction	613
Support Services - Pupils	2,933
Support Services - Instructional Staff	12,402
Support Services - Board of Education	7,399
Support Services - Administration	2,221
Support Services - Fiscal	208
Support Services - Operation and Maintenance of Plant	22,860
Support Services - Pupil Transportation	10,335
Non-Instructional Services	48,139
Extracurricular Activities	2,417
Special Revenue Funds	
Public School Support	
Extracurricular Activities	636
Local Grants	
Special Instruction	80
District Managed Activity	
Extracurricular Activities	9,133
Auxiliary	
Non-Instructional Services	19,819
Teacher Development	
Regular Instruction	80

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 4 - Accountability and Compliance (continued)

B. Legal Compliance (continued)

	<u>Excess</u>
Special Revenue Funds (continued)	
Public School Preschool	
Regular Instruction	3,190
Support Services - Pupils	408
Support Services - Operation and Maintenance of Plant	3,600
Support Services - Central	55
Instructional Material Subsidy	
Regular Instruction	24,695
Eisenhower	
Regular Instruction	50
Special Instruction	568
Title VI-B	
Special Instruction	1,096
Support Services - Pupils	303
Title 1	
Special Instruction	4,634
Support Services - Instructional Staff	116
Drug Free Schools	
Regular Instruction	200
 Capital Projects Funds	
Permanent Improvement	
Pupil Transportation	60,143
Capital Outlay	64,449
Schoolnet Plus	
Support Services - Pupils	59,295
Emergency Building Repair	
Capital Outlay	44,514
 Expendable Trust Fund	
Special Trust Fund	
Regular Instruction	3,726

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust Fund and the Combined 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:

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 5 - Budgetary Basis of Accounting (continued)

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 disclosures in the proprietary fund types (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	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$799,687	(\$54,933)	\$142,421	\$3,559,680	(\$4,532)
Revenue Accruals	122,222	37,801	(19,493)	(67,632)	0
Expenditure Accruals	(42,275)	37,960	(104,336)	(9,615)	(3,272)
Prepaid Items	(2,672)	0	0	0	0
Principal Repayments	0	0	85,000	0	0
Interest/ Fiscal Charges	0	0	19,336	0	0
Advances In	26,612	182,962	0	0	0
Advances Out	(182,962)	(26,612)	0	0	0
Encumbrances	(57,461)	(42,350)	0	(72,309)	(281)
Budget Basis	<u>\$663,151</u>	<u>\$134,828</u>	<u>\$122,928</u>	<u>\$3,410,124</u>	<u>(\$8,085)</u>

Net Loss/Excess of Revenues Under Expenses
Proprietary Fund

	Enterprise
GAAP Basis	(\$9,219)
Revenue Accruals	206,855
Expense Accruals	31,512
Encumbrances	(3,327)
Federal and State Subsidies	(239,365)
Donated Commodities	(25,858)
Budget Basis	<u>(\$39,402)</u>

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

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

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

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

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

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 6 - Deposits and Investments (continued)

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

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

Deposits At year end, the carrying amount of the School District's deposits was \$1,362,104 and the bank balance was \$1,904,738. Of the bank balance:

1. \$176,452 was covered by federal depository insurance; and
2. \$1,728,286 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

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

	Unclassified	Fair Value
STAR Ohio	\$6,537,099	\$6,537,099

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

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

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$7,899,203	\$0
STAR Ohio	(6,537,099)	6,537,099
GASB Statement 3	\$1,362,104	\$6,537,099

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$58,974,520	74%	\$59,821,740	74%
Public Utility Personal	9,516,790	12%	9,088,930	11%
Tangible Personal Property	11,391,838	14%	11,993,201	15%
Total	\$79,883,148	100%	\$80,903,871	100%
 Tax rate per \$1,000 of assessed valuation	 \$24.36		 \$33.30	

The School District receives property taxes from Jackson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 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, 1999

Note 7 - Property Taxes (continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

Also intended to finance current fiscal year operations is the June 30 personal property tax settlement that was not received until July, 1999 in the amount of \$15,535 in the General Fund, \$293 in the Classroom Facilities Special Revenue Fund, \$1,934 in the Debt Service Fund and \$1,759 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 1999, was \$25,967 in the General Fund, \$490 to the Classroom Facilities Special Revenue Fund, \$3,234 in the Debt Service Fund and \$2,940 in the Permanent Improvement Capital Projects Fund.

Note 8 - Receivables

Receivables at June 30, 1999, consisted of taxes, accounts (rent and tuition), interfund, due from other funds and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund:	
Community Alternative Funding System	\$29,294
Homestead and Rollback	97,756
Total General Fund	127,050
Special Revenue Funds:	
Goals 2000	31,388
Debt Service Fund	
Homestead and Rollback	14,325
Enterprise Fund:	
Food Service Reimbursements	32,529
Total Intergovernmental Receivables	\$205,292

Note 9 - Fixed Assets

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$146,010
Less: accumulated depreciation	(99,705)
Net Fixed Assets	\$46,305

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 9 - Fixed Assets (continued)

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Land and Improvements	\$197,508	\$150,000	\$0	\$347,508
Buildings	2,792,804	0	0	2,792,804
Vehicles	888,095	0	0	888,095
Furniture and Equipment	1,611,850	358,914	64,599	1,906,165
Textbooks	1,284,221	0	0	1,284,221
Total General Fixed Assets	\$6,774,478	\$508,914	\$64,599	\$7,218,793

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 1999, 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.

Professional liability is protected by The Nationwide Insurance Company with a \$1,000,000 single occurrence limit and a \$5,000,000 aggregate limit with no deductible. Fleet insurance is covered by The Nationwide Insurance Company and holds a \$100 deductible for comprehensive and collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There has not been a significant reduction in coverage from the prior year.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). 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 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. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$235,261, \$621,154 and \$616,316, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$40,195 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 11 - Defined Benefit Pension Plans (continued)

B. 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 N. Fourth Street, Columbus, Ohio 43215.

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 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$77,769, \$148,251 and \$144,542, respectively; 37 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$49,008 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

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

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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation 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 costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$313,681 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, and increase from 4.98 percent for fiscal year 1998. 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, prorated for partial service credit. For fiscal year 1999, 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 fiscal year 1999 equaled \$86,674.

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 125 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 13 - Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. All employees may accumulate an unlimited amount of sick days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 45 days.

B. Insurance Benefits

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

Health, dental and vision insurance is provided by Medical Mutual Insurance. Premiums for this coverage are \$556.73 for family coverage and \$222.85 for single coverage. The School District pays 99% of both family and single coverage premiums.

Note 14 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 1999, were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Energy Conservation Notes 1993 5.95%	\$60,000	\$0	\$10,000	\$50,000
Energy Conservation Notes 1992 5.95%	285,000	0	50,000	235,000
Modular Classroom Note 1998 4.75%	25,000	0	25,000	0
General Obligation Bonds 1999 3.3%	0	3,656,000	0	3,656,000
Compensated Absences	811,423	168,447	105,919	873,951
Pension Obligation	65,038	75,520	65,038	75,520
Total General Long-Term Obligations	\$1,246,461	\$3,899,967	\$255,957	\$4,890,471

The general obligation bonds were issued for the construction and remodeling of school buildings. The energy conservation notes and the general obligation bonds 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.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 14 - Long-Term Obligations (continued)

The School District's overall legal debt margin was \$3,268,444, with an unvoted debt margin of \$365,904 at June 30, 1999. Principal and interest requirements to retire energy conservation notes outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$65,000	\$16,957	\$81,957
2001	65,000	13,090	78,090
2002	70,000	9,223	79,223
2003	75,000	5,057	80,057
2004	10,000	595	10,595
Total	<u>\$285,000</u>	<u>\$44,922</u>	<u>\$329,922</u>

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$96,000	\$179,316	\$275,316
2001	85,000	176,202	261,202
2002	85,000	173,057	258,057
2003	90,000	169,710	259,710
2004	100,000	165,953	265,953
2005 - 2009	565,000	762,424	1,327,424
2010 - 2014	770,000	555,960	1,325,960
2015 - 2019	1,315,000	279,020	1,594,020
2020 - 2024	550,000	41,750	591,750
Total	<u>\$3,656,000</u>	<u>\$2,503,392</u>	<u>\$6,159,392</u>

Note 15 - Interfund Transactions

Interfund balances at June 30, 1999, consist of the following individual interfund receivables and payables:

	Receivable	Payable
General Fund	<u>\$186,462</u>	<u>\$0</u>
Special Revenue Funds:		
District Managed Activity	0	3,500
Title VI-B	0	72,962
Title I	0	110,000
Total Special Revenue Funds	<u>0</u>	<u>186,462</u>
Total All Funds	<u>\$186,462</u>	<u>\$186,462</u>

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 16 - 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, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$120,571	\$26,197	\$146,768
Depreciation	3,995	0	3,995
Operating Loss	(284,365)	(2,610)	(286,975)
Donated Commodities	25,858	0	25,858
Operating Grants	239,365	0	239,365
Transfers In	0	11,618	11,618
Net Loss	(18,227)	9,008	(9,219)
Net Working Capital	41,370	29,009	70,379
Total Assets	130,422	29,069	159,491
Long-Term Compensated Absences Payable	32,677	0	32,677
Total Equity	54,998	29,009	84,007
Encumbrances, June 30, 1999	1,550	1,777	3,327

Note 17 - Jointly Governed Organizations and Insurance Purchasing Pool

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 1999, the Wellston City School District paid \$5,694 to SEOVEC.

The Gallia-Jackson-Vinton Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five members from the three participating school districts and four members from the participating local school districts, which possesses its own budgeting and taxing authority.

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, participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 18 - School Funding Court Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$5,765,248 of school foundation support for its general fund.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 18 - School Funding Court Decision (continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

Note 19 - Set - Aside Calculations and Fund Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The School District also receives resources from the State of Ohio which are restricted by state law for the purchase of school buses. The balance of this allocation is also reflected as a reservation of Fund Balance in the General Fund at fiscal year end.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$56,688	\$56,688
Current Year Set-aside Requirement	111,080	111,080	55,540	277,700
Qualifying Disbursements	95,684	0	0	95,684
Qualifying Offsets	\$0	\$202,995	\$0	202,995
Total	<u>\$15,396</u>	<u>\$(91,915)</u>	<u>\$112,228</u>	<u>\$35,709</u>
Cash Balance Carried Forward to FY 2000	<u>\$15,396</u>	<u>\$0</u>	<u>\$112,228</u>	<u>\$127,624</u>
Amount Restricted for bus purchase				<u>68,227</u>
Total Restricted Assets				<u>\$195,851</u>

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

The Wellston City School District is currently party to legal proceedings. The School District's management is of the opinion that the ultimate disposition of these claims and legal proceedings 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, 1999

Note 21 - Year 2000 Issue

The Year 2000 issue is a result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations.

As of June 30, 1999, the School District has inventoried its mission-critical computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting School District operations. Based on this inventory, the School District determined that no further remediation or system testing was required.

To the best of management's knowledge and belief, as of January 18, 2000, the School District experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet, unknown.

WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 1999

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>						
Food Distribution Program	N/A	10.550	\$0	\$25,572	\$0	\$25,858
NUTRITION CLUSTER						
School Breakfast Program	05-PU 00	10.553	45,411	0	45,411	0
National School Lunch Program	04-PU 00	10.555	146,258	0	146,258	0
<i>Total Nutrition Cluster</i>			191,670	0	191,670	0
<i>Total U.S. Department of Agriculture</i>			191,670	25,572	191,670	25,858
U.S. DEPARTMENT OF LABOR						
<i>Pass through the Ohio Department of Education</i>						
School to Work	WK-BE 00	17.249	50,000	0	50,000	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 99 P	84.027	130,235	0	91,960	0
Special Education Preschool Grant	PG-S1 99 P	84.173	12,675	0	14,312	0
<i>Total Special Education Cluster</i>			142,910	0	106,272	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1 99	84.010	337,286	0	650,414	0
Drug Free Schools Grant	DR-S1 99	84.186	10,357	0	7,014	0
Eisenhower Professional Development	MS-S1 99	84.281	12,770	0	10,636	0
Goals 2000	G2-S1-99 P	84.276	40,500	0	27,750	0
Innovative Education Program Strategy	C2-S1-99	84.298	7,505	0	894	0
<i>Total U.S. Department of Education</i>			551,328	0	802,979	0
<i>Total Federal Awards and Expenditures</i>			\$792,998	\$25,572	\$1,044,649	\$25,858

N/A = The School District could not locate a pass through entity number.

WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY, OHIO

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - - FOOD DISTRIBUTIONS

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had no significant food commodities in inventory.

MICHAEL A. BALESTRA, CPA, INC.
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the Wellston City School District, Jackson County, as of and for the year ended June 30, 1999, and have issued our report thereon dated January 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wellston City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing and opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain other immaterial instances of non compliance that we have reported to the management of the Wellston City School District in a separate letter dated January 18, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wellston City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Wellston City School District in a separate letter dated January 18, 2000.

Members of the Board of Education
Wellston City School District

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

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

Michael A. Balestra, CPA, Inc.

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

January 18, 2000

MICHAEL A. BALESTRA, CPA, INC.
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Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB circular A-133

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

Compliance

We have audited the compliance of the Wellston City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. Wellston City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Wellston City School District's management. Our responsibility is to express an opinion on Wellston City School District's compliance based on our audit.

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

In our opinion, Wellston City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

Members of the Board of Education
Wellston City School District

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

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the Wellston City School District in a separate letter dated January 18, 2000.

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

Michael A. Balestra, CPA, Inc.

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

January 18, 2000

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

**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY
JUNE 30, 1999**

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

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

**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY
JUNE 30, 1999**

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

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

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: APRIL 4, 2000