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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

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**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Wellston City School District
Jackson County
416 North Pennsylvania Ave.
Wellston, Ohio 45692

To the Board of Education:

We have audited the accompanying general purpose financial statements of Wellston City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 Wellston City School District, Jackson County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2002, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 5, 2002

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Wellston City School District, Ohio

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debit:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,690,352	\$1,605,023	\$3,706,890
Cash and Cash Equivalents in Segregated Accounts	0	0	517,039
<u>Receivables:</u>			
Taxes	2,477,202	52,056	478,021
Accounts	861	52	0
Intergovernmental	104,121	199,391	1,545,842
Interfund	78,674	0	0
Due from Other Funds	56	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	0	0	0
Prepaid Items	115,496	16,044	3,520
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	366,048	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
<u>Other Debit:</u>			
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0
Amount to be Provided from General Government Resources	0	0	0
 Total Assets and Other Debit	 \$7,832,810	 \$1,872,566	 \$6,251,312

See accompanying notes to the general purpose financial statements

	Proprietary	Fiduciary	Account Groups		Totals (Memorandum Only)
	Fund Type	Fund Types	General Fixed Assets	General Long-Term Obligations	
Debt Service	Enterprise	Trust and Agency			
\$274,505	\$116,675	\$45,064	\$0	\$0	\$10,438,509
0	0	0	0	0	517,039
343,668	0	0	0	0	3,350,947
0	50	0	0	0	963
0	24,275	0	0	0	1,873,629
0	0	0	0	0	78,674
0	0	0	0	0	56
0	6,710	0	0	0	6,710
0	732	0	0	0	732
0	5,256	0	0	0	140,316
0	0	0	0	0	366,048
0	36,803	0	39,246,777	0	39,283,580
0	0	0	0	283,229	283,229
0	0	0	0	4,270,495	4,270,495
<u>\$618,173</u>	<u>\$190,501</u>	<u>\$45,064</u>	<u>\$39,246,777</u>	<u>\$4,553,724</u>	<u>\$60,610,927</u>

(continued)

Wellston City School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 June 30, 2002

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<u>Liabilities, Fund Equity and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$160,212	\$16,546	\$155,229
Contracts Payable	720	257	1,107,931
Accrued Wages and Benefits Payable	834,682	168,574	517
Compensated Absences Payable	6,398	471	0
Interfund Payable	0	75,797	0
Due to Other Funds	0	0	0
Intergovernmental Payable	233,383	46,395	4
Retainage Payable	0	0	592,371
Deferred Revenue	2,489,435	129,677	2,015,932
Due to Students	0	0	0
Energy Conservation Loans Payable	0	0	0
General Obligation Bonds Payable	0	0	0
Total Liabilities	<u>3,724,830</u>	<u>437,717</u>	<u>3,871,984</u>
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balances:			
Reserved for Encumbrances	109,584	24,648	2,822,613
Reserved for School Bus Purchase	309,360	0	0
Reserved for Property Tax	70,053	1,322	7,931
Reserved for Budget Stabilization	56,688	0	0
Unreserved:			
Designated	55,540	0	0
Undesignated (Deficit)	3,506,755	1,408,879	(451,216)
Total Fund Equity and Other Credits	<u>4,107,980</u>	<u>1,434,849</u>	<u>2,379,328</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$7,832,810</u>	<u>\$1,872,566</u>	<u>\$6,251,312</u>

See accompanying notes to the general purpose financial statements

Debt Service	Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$779	\$0	\$0	\$0	\$332,766
0	0	0	0	0	1,108,908
0	29,918	0	0	0	1,033,691
0	34,547	0	0	992,720	1,034,136
0	2,877	0	0	0	78,674
0	0	56	0	0	56
0	19,491	0	0	86,004	385,277
0	0	0	0	0	592,371
334,944	0	0	0	0	4,969,988
0	0	40,466	0	0	40,466
0	0	0	0	85,000	85,000
0	0	0	0	3,390,000	3,390,000
<u>334,944</u>	<u>87,612</u>	<u>40,522</u>	<u>0</u>	<u>4,553,724</u>	<u>13,051,333</u>
0	0	0	39,246,777	0	39,246,777
0	102,889	0	0	0	102,889
0	0	0	0	0	2,956,845
0	0	0	0	0	309,360
8,724	0	0	0	0	88,030
0	0	0	0	0	56,688
0	0	0	0	0	55,540
274,505	0	4,542	0	0	4,743,465
<u>283,229</u>	<u>102,889</u>	<u>4,542</u>	<u>39,246,777</u>	<u>0</u>	<u>47,559,594</u>
<u>\$618,173</u>	<u>\$190,501</u>	<u>\$45,064</u>	<u>\$39,246,777</u>	<u>\$4,553,724</u>	<u>\$60,610,927</u>

Wellston City School District, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances
 All Governmental Fund Types and Similar Trust Fund
 For the Year Ended June 30, 2002

	Governmental		Fund Types
	General	Special Revenue	Capital Projects
<u>Revenues:</u>			
Property Taxes	\$2,024,745	\$43,520	\$216,909
Intergovernmental	8,652,284	1,876,311	5,568,249
Interest	121,549	4,953	252,842
Tuition and Fees	26,371	-	-
Rent	3,535	-	-
Extracurricular Activities	-	83,761	-
Gifts and Donations	-	44,066	-
Miscellaneous	52,102	3,758	-
Total Revenues	10,880,586	2,056,369	6,038,000
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,839,830	702,662	-
Special	1,210,793	559,967	-
Vocational	252,419	-	-
Adult/Continuing	7,037	-	-
Other	21,811	-	-
Support Services:			
Pupils	482,335	149,707	-
Instructional Staff	451,797	198,620	-
Board of Education	66,279	375	-
Administration	709,128	112,698	-
Fiscal	298,241	2,267	-
Operation and Maintenance of Plant	585,088	15,658	-
Pupil Transportation	563,831	18,959	-
Central	74,191	1,759	-
Operation of Non-Instructional Services	-	51,160	-
Extracurricular Activities	142,666	112,143	-
Capital Outlay	-	-	17,256,194
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	9,705,446	1,925,975	17,256,194
Excess of Revenues Over (Under) Expenditures	1,175,140	130,394	(11,218,194)
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	4,830	5,000	-
Operating Transfers - In	-	-	-
Operating Transfers - Out	(85,335)	-	-
Total Other Financing Sources (Uses)	(80,505)	5,000	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,094,635	135,394	(11,218,194)
Fund Balances at Beginning of Year	3,013,345	1,299,455	13,597,522
Fund Balances at End of Year	\$4,107,980	\$1,434,849	\$2,379,328

See accompanying notes to the general purpose financial statements

Debt Service	Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)
\$287,324	\$0	\$2,572,498
49,469	-	16,146,313
5,337	-	384,681
-	-	26,371
-	-	3,535
-	-	83,761
-	950	45,016
-	-	55,860
<u>342,130</u>	<u>950</u>	<u>19,318,035</u>
-	450	5,542,942
-	-	1,770,760
-	-	252,419
-	-	7,037
-	-	21,811
-	-	632,042
-	-	650,417
-	-	66,654
-	-	821,826
10,192	-	310,700
-	-	600,746
-	-	582,790
-	-	75,950
-	-	51,160
-	-	254,809
-	-	17,256,194
155,000	-	155,000
<u>180,198</u>	<u>-</u>	<u>180,198</u>
<u>345,390</u>	<u>450</u>	<u>29,233,455</u>
<u>(3,260)</u>	<u>500</u>	<u>(9,915,420)</u>
-	-	9,830
77,140	-	77,140
<u>-</u>	<u>-</u>	<u>(85,335)</u>
<u>77,140</u>	<u>-</u>	<u>1,635</u>
73,880	500	(9,913,785)
<u>209,349</u>	<u>4,042</u>	<u>18,123,713</u>
<u><u>\$283,229</u></u>	<u><u>\$4,542</u></u>	<u><u>\$8,209,928</u></u>

Wellston City School District, Ohio
 Combined Statement of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Similar Trust Fund
 For the Year Ended June 30, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$2,042,599	\$2,042,599	\$0
Intergovernmental	8,652,284	8,652,284	0
Interest	113,019	121,550	8,531
Tuition and Fees	5,287	5,287	0
Rent	3,100	3,100	0
Extracurricular	0	0	0
Gifts and Donations	107	0	(107)
Miscellaneous	79,822	73,653	(6,169)
Total Revenues	10,896,218	10,898,473	2,255
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,834,435	4,834,435	0
Special	1,186,173	1,186,173	0
Vocational	262,341	262,341	0
Adult/Continuing	7,037	7,037	0
Other	22,472	22,472	0
Support Services:			
Pupils	483,967	483,967	0
Instructional Staff	454,871	454,871	0
Board of Education	70,534	70,534	0
Administration	707,844	707,844	0
Fiscal	295,853	294,933	920
Operation and Maintenance of Plant	631,084	631,084	0
Pupil Transportation	627,062	627,062	0
Central	75,395	75,395	0
Non-Instructional Services	0	0	0
Extracurricular Activities	125,973	125,973	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	9,785,041	9,784,121	920
Excess of Revenues Over (Under) Expenditures	1,111,177	1,114,352	3,175
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	4,830	4,830	0
Advances - In	8,695	8,695	0
Operating Transfers - In	0	0	0
Operating Transfers - Out	(85,335)	(85,335)	0
Advances - Out	(75,064)	(75,064)	0
Total Other Financing Sources (Uses)	(146,874)	(146,874)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	964,303	967,478	3,175
Fund Balances at Beginning of Year	3,714,178	3,714,178	0
Prior Year Encumbrances Appropriated	109,681	109,681	0
Fund Balances at End of Year	\$4,788,162	\$4,791,337	\$3,175

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$43,856	\$43,856	\$0	\$428,820	\$218,930	(\$209,890)
1,867,393	1,788,789	(78,604)	23,140,947	5,574,469	(17,566,478)
5,751	4,953	(798)	246,272	252,842	6,570
64	0	(64)	0	0	0
0	0	0	0	0	0
85,498	85,498	0	0	0	0
44,066	44,066	0	0	0	0
2,453	3,771	1,318	0	0	0
<u>2,049,081</u>	<u>1,970,933</u>	<u>(78,148)</u>	<u>23,816,039</u>	<u>6,046,241</u>	<u>(17,769,798)</u>
700,931	700,931	0	0	0	0
563,395	563,395	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
166,448	166,448	0	0	0	0
200,301	200,301	0	0	0	0
1,500	1,500	0	0	0	0
113,808	113,808	0	0	0	0
2,267	2,267	0	0	0	0
15,902	15,902	0	0	0	0
22,842	22,842	0	0	0	0
1,759	1,759	0	0	0	0
55,297	55,297	0	0	0	0
114,960	114,960	0	0	0	0
0	0	0	21,803,507	21,803,507	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>1,959,410</u>	<u>1,959,410</u>	<u>0</u>	<u>21,803,507</u>	<u>21,803,507</u>	<u>0</u>
<u>89,671</u>	<u>11,523</u>	<u>(78,148)</u>	<u>2,012,532</u>	<u>(15,757,266)</u>	<u>(17,769,798)</u>
5,000	5,000	0	0	0	0
73,797	73,797	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(8,695)	(8,695)	0	0	0	0
<u>70,102</u>	<u>70,102</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
159,773	81,625	(78,148)	2,012,532	(15,757,266)	(17,769,798)
1,423,336	1,423,336	0	432,053	432,053	0
58,667	58,667	0	15,464,269	15,464,269	0
<u>\$1,641,776</u>	<u>\$1,563,628</u>	<u>(\$78,148)</u>	<u>\$17,908,854</u>	<u>\$139,056</u>	<u>(\$17,769,798)</u>

(Continued)

Wellston City School District, Ohio
 Combined Statement of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Similar Trust Fund (Continued)
 For the Year Ended June 30, 2002

	Debt Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$289,547	\$289,547	\$0
Intergovernmental	49,469	49,469	0
Interest	4,840	5,337	497
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	0	0	0
Total Revenues	343,856	344,353	497
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	10,192	10,192	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	155,000	155,000	0
Interest and Fiscal Charges	180,198	180,198	0
Total Expenditures	345,390	345,390	0
Excess of Revenues Over (Under) Expenditures	<u>(1,534)</u>	<u>(1,037)</u>	<u>497</u>
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	0	0	0
Advances - In	0	0	0
Operating Transfers - In	77,140	77,140	0
Operating Transfers - Out	0	0	0
Advances - Out	0	0	0
Total Other Financing Sources (Uses)	77,140	77,140	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	75,606	76,103	497
Fund Balances at Beginning of Year	198,402	198,402	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balances at End of Year	\$274,008	\$274,505	\$497

See accompanying notes to the general purpose financial statements

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,804,822	\$2,594,932	(\$209,890)
0	0	0	33,710,093	16,065,011	(17,645,082)
0	0	0	369,882	384,682	14,800
0	0	0	5,351	5,287	(64)
950	950	0	4,050	4,050	0
0	0	0	85,498	85,498	0
0	0	0	44,173	44,066	(107)
0	0	0	82,275	77,424	(4,851)
950	950	0	37,106,144	19,260,950	(17,845,194)
450	450	0	5,535,816	5,535,816	0
0	0	0	1,749,568	1,749,568	0
0	0	0	262,341	262,341	0
0	0	0	7,037	7,037	0
0	0	0	22,472	22,472	0
0	0	0	650,415	650,415	0
0	0	0	655,172	655,172	0
0	0	0	72,034	72,034	0
0	0	0	821,652	821,652	0
0	0	0	308,312	307,392	920
0	0	0	646,986	646,986	0
0	0	0	649,904	649,904	0
0	0	0	77,154	77,154	0
0	0	0	55,297	55,297	0
0	0	0	240,933	240,933	0
0	0	0	21,803,507	21,803,507	0
0	0	0	155,000	155,000	0
0	0	0	180,198	180,198	0
450	450	0	33,893,798	33,892,878	920
500	500	0	3,212,346	(14,631,928)	(17,844,274)
0	0	0	9,830	9,830	0
0	0	0	82,492	82,492	0
0	0	0	77,140	77,140	0
0	0	0	(85,335)	(85,335)	0
0	0	0	(83,759)	(83,759)	0
0	0	0	368	368	0
500	500	0	3,212,714	(14,631,560)	(17,844,274)
4,042	4,042	0	5,772,011	5,772,011	0
0	0	0	15,632,617	15,632,617	0
<u>\$4,542</u>	<u>\$4,542</u>	<u>\$0</u>	<u>\$24,617,342</u>	<u>\$6,773,068</u>	<u>(\$17,844,274)</u>

Wellston City School District, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 Proprietary Fund Type
 For the Year Ended June 30, 2002

	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Sales	168,688
	168,688
Total Operating Revenues	168,688
 <u>Operating Expenses:</u>	
Salaries and Wages	182,765
Fringe Benefits	111,995
Materials and Supplies	44,336
Cost of Sales	127,427
Depreciation	3,150
	469,673
Total Operating Expenses	469,673
Operating Income	(300,985)
 <u>Non-Operating Revenues:</u>	
Federal Donated Commodities	34,431
Interest	600
Federal and State Subsidies	297,254
	332,285
Total Non-Operating Revenues	332,285
Net Income Before Operating Transfers	31,300
Operating Transfers In	8,195
	39,495
Net Income	39,495
Retained Earnings at Beginning of Year	63,394
	63,394
Retained Earnings at End of Year	\$102,889

See accompanying notes to the general purpose financial statements

Wellston City School District, Ohio
 Combined Statement of Revenues, Expenses and Changes in
 Retained Earnings - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Year Ended June 30, 2002

	Enterprise Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Sales	171,191	168,639	(2,552)
Interest	509	600	91
Federal and State Subsidies	272,969	272,984	15
Total Revenues	444,669	442,223	(2,446)
<u>Expenses:</u>			
Salaries	187,203	187,203	0
Fringe Benefits	98,634	98,634	0
Materials and Supplies	155,862	155,862	0
Capital Outlay	1,800	1,800	0
Total Expenses	443,499	443,499	0
Excess of Revenues Under Expenses	1,170	(1,276)	(2,446)
Advances In	1,267	1,267	0
Operating Transfers In	8,195	8,195	0
Excess of Revenues Over Expenses, Advances and Transfers	10,632	8,186	(2,446)
Retained Earnings at Beginning of Year	88,680	88,680	0
Prior Year Encumbrances Appropriated	11,275	11,275	0
Retained Earnings at End of Year	\$110,587	\$108,141	(\$2,446)

See accompanying notes to the general purpose financial statements

Wellston City School District, Ohio

Combined Statement of Cash Flows

Proprietary Fund Type

For the Year Ended June 30, 2002

	<u>Enterprise</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$168,639
Cash Payments for Employee Services and Benefits	(285,837)
Cash Payments for Goods and Services	<u>(147,328)</u>
Net Cash Used for Operating Activities	<u>(264,526)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	<u>(1,800)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(1,800)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	272,984
Advances In	1,267
Operating Transfers In	<u>8,195</u>
Net Cash Provided by Noncapital Financing Activities	282,446
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	<u>600</u>
Net Cash Provided by Investing Activities	<u>600</u>
Net Increase in Cash and Cash Equivalents	16,720
Cash and Cash Equivalents at Beginning of Year	<u>99,955</u>
Cash and Cash Equivalents at End of Year	<u><u>\$116,675</u></u>
Reconciliation of Operating Income to	
<u>Net Cash Used by Operating Activities:</u>	
Operating Loss	(\$300,985)
Depreciation Expense	3,150
Donated Commodities Used During Year	29,551
Changes in Assets and Liabilities:	
Decrease in Inventory Held for Resale	1,566
Decrease in Materials and Supplies	287
Increase in Accounts Receivable	(50)
Increase in Prepaid Assets	(5,256)
Decrease in Intergovernmental Receivable	13
Decrease in Accounts Payable	(1,712)
Increase in Accrued Salaries	6,118
Decrease in Compensated Absences Payable	(2,962)
Increase in Intergovernmental Payable	<u>5,754</u>
Net Cash Used for Operating Activities	<u><u>(\$264,526)</u></u>

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, 2002

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by state statute and/or federal guidelines. The School District serves an area of approximately 22 square miles. It is located in Jackson County and includes all of the territory of the City of Wellston, and portions of Coalton Village, and Milton Township. It is staffed by 60 non-certified employees and 135 certified full-time teaching personnel who provide services to 1,727 students and other community members. The School District currently operates four instructional buildings, one administrative building, a maintenance garage and a bus garage.

Reporting Entity

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

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

The School District participates in two jointly governed organizations and an insurance purchasing pool. These organizations are the Southeast Ohio Voluntary Educational Consortium, the Gallia-Jackson-Vinton Joint Vocational School District, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, which are presented in Notes 14 and 15 to the general purpose financial statements.

The following activities are included within the reporting entity.

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies

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

A. Basis Of Presentation - Fund Accounting

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

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

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

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

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

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

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

B. Measurement Focus and Basis of Accounting

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

C. Budgetary Process

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

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

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Jackson County Budget Commission for rate determination.

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education for fiscal year 2002.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (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 must be legally enacted by the Board of Education at the fund, function, object level of expenditures, which is the legal level 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 and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. 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. The Board has delegated to the Treasurer the authority to allocate appropriations to the function and object levels. 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 consistent with statutory provisions. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year.

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. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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

D. Cash and Cash Equivalents

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

The School District has a segregated bank account for the retainage escrow account monies held separate from the School District's central bank account. This checking account is presented on the combined balance sheet as "cash and cash equivalents in segregated account" since they are kept separate from the School District treasury.

During fiscal year 2002, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2002.

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 2002 amounted to \$121,549, which includes \$86,384 assigned from other School District funds. The special revenue, capital projects, and debt service funds received interest revenue of \$4,953, \$252,842, and \$5,337, respectively.

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

E. Restricted Assets

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expenses is reported in the year in which the services are consumed.

G. Inventory

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Fixed Assets and Depreciation

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

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

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

I. Interfund Assets/Liabilities

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

J. Compensated Absences

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

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

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Accrued Liabilities and Long-term Obligations

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

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

L. Interfund Transactions

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

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

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under 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. Estimates

The preparation of the 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.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

O. Designation of Fund Balance

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

P. Totals Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with 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 - Accountability

Fund Deficits

The following funds had deficit fund balance as of June 30, 2002:

	<u>Deficit</u>
Special Revenue Funds:	
Before and After School	\$8
Ohio Reads	14,000
Performance Incentives	289
Capital Projects Fund:	
School Net Plus	506

These deficits resulted from the recognition of payables in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 4 - Budgetary Basis of Accounting (Continued)

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

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

	General	Special Revenue	Capital Projects	Debt Service	Expendable Trust
GAAP Basis	\$1,094,635	\$135,394	(\$11,218,194)	\$73,880	\$500
Revenue Accruals	17,887	(85,435)	8,241	2,223	0
Expenditure Accruals	285,213	24,003	(458,920)	0	0
Prepaid Items	(98,825)	(16,044)	(3,520)	0	0
Advances	(66,369)	65,102	0	0	0
Encumbrances	(265,063)	(41,395)	(4,084,873)	0	0
Budget Basis	<u>\$967,478</u>	<u>\$81,625</u>	<u>(\$15,757,266)</u>	<u>\$76,103</u>	<u>\$500</u>

Net Income (Loss)/Excess of
Revenues Over Expenses
Proprietary Fund Type

	Enterprise
GAAP Basis	\$39,495
Revenue Accruals	(58,750)
Expense Accruals	37,335
Advances	1,267
Materials and Supplies Inventory	(287)
Inventory Held for Resale	1,566
Capital Outlay	(1,800)
Prepays	(5,256)
Depreciation Expense	3,150
Encumbrances	(8,534)
Budget Basis	<u>\$8,186</u>

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 5 - Deposits and Investments

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

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

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

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

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

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 5 - Deposits and Investments (Continued)

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

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

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

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

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$4,115,278 and the bank balance was \$4,190,051. Of the bank balance:

1. \$219,646 was covered by federal depository insurance; and
2. \$3,970,405 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 5 - Deposits and Investments (Continued)

	Fair Value
STAR Ohio	\$7,206,318

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$11,321,596	\$0
STAR Ohio	(7,206,318)	7,206,318
GASB Statement 3	\$4,115,278	\$7,206,318

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following 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 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

Real property taxes are levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

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. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 6 - Property Taxes (Continued)

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second Half Collections		2002 First Half Collections	
Real Property	\$70,175,130	74.09%	\$70,930,560	72.68%
Public Utility Tangible Personal Property	8,669,860	9.15%	7,040,660	7.21%
Tangible Personal Property	15,874,515	16.76%	19,624,459	20.11%
Total	\$94,719,505	100.00%	\$97,595,679	100.00%
 Tax Rare per \$1,000 of Assessed Valuation	 \$33.30		 \$33.30	

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

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

The School District receives property taxes from Jackson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. Also intended to finance current fiscal year operations is the June 30 personal property tax settlement that was not received until July, 2002 in the amount of \$20,676 in the general fund, \$2,341 in the permanent improvement fund, \$2,575 in the bond retirement debt service fund, and \$390 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2002, was \$62,048. \$49,377 was available to the general fund, \$5,590 was available to the permanent improvement fund, \$6,149 was available to the bond retirement debt service fund, and \$932 was available to the classroom maintenance special revenue fund.

Note 7 - Receivables

Receivables at June 30, 2002 consisted of property taxes, accounts (billings for user charged services, vendors commissions, and tuition and fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 7 – Receivables (Continued)

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund:	
Community Alternative Funding System	\$82,286
Miscellaneous	21,835
Total General Fund	104,121
Special Revenue Funds:	
Eisenhower	1,497
Title I	112,389
Chapter II	6,873
Title VI-R	24,953
Reading Excellency	53,650
Miscellaneous	29
Total Special Revenue Funds	199,391
Capital Projects Fund:	
Classroom Facilities	1,545,842
Enterprise Fund:	
School Lunch and Breakfast Program	24,270
Miscellaneous	5
Total Enterprise Fund	24,275
Total Intergovernmental Receivables	\$1,873,629

On December 16, 1998, the School District was awarded \$31,072,412 for the construction of new elementary, middle, and high school under the State’s “Classroom Facilities Program.” Under this program, the School District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Historically, the School District repaid the State, if the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil, in lieu of repayment, the School District set-aside the funds that would have been used for repayment to the State for facilities maintenance. As part of the process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. Legislation effective September 15, 2000, eliminated any possibility that money received by the School District under this program will need to be repaid. As of the end of fiscal year 2002, the School District had received \$29,526,570 of the amount awarded under this program. The remaining amount of \$1,545,842 is recorded as a receivable and a deferred revenue on the balance sheet.

Note 8 - Fixed Assets

A summary of the Proprietary Funds' fixed assets at June 30, 2002, follows:

	Enterprise
Land and Improvements	\$145,516
Less: Accumulated Depreciation	(108,713)
Net Fixed Assets	\$36,803

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 8 - Fixed Assets (Continued)

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 06/30/01	Additions	Deletions	Balance at 06/30/02
Land and Improvements	\$343,308	\$0	\$0	\$343,308
Buildings and Improvements	2,792,804	0	30,362	2,762,442
Furniture, Fixtures and Equipment	2,024,927	354,854	115,342	2,264,439
Vehicles	1,085,890	123,994	17,500	1,192,384
Textbooks	1,284,221	0	0	1,284,221
Construction in Progress	14,927,655	16,472,328	0	31,399,983
Totals	<u>\$22,458,805</u>	<u>\$16,951,176</u>	<u>\$163,204</u>	<u>\$39,246,777</u>

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2002, the School District contracted with Great American Alliance Insurance for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. The School District contracted with Great American Alliance Insurance for boiler and machinery insurance. There is a \$1,000 deductible with a \$1,000,000 single occurrence limit. The School District contracted with Waugh Insurance for builder's risk insurance. There is a \$5,000 deductible with a \$3,915,725 project limit for the construction at Bundy Elementary, \$14,346,968 project limit for the construction of the Middle School, and \$13,208,481 project limit for the construction of the High School.

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

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$83,745, \$45,532 and \$55,977 respectively; 51.36 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$40,735 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2001, the portion used to fund pension obligations was also 9.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$540,696, \$527,649 and \$314,093, respectively; 83.14 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$91,186 represents the unpaid contribution for fiscal year 2002, 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, 2002

Note 11 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$256,119 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. For fiscal year 2001, 9.8 percent was used to fund health care benefits. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$163,735.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 12- Employee Benefits

A. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to classified employees 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 \$761.41 for family coverage and \$304.67 for single coverage. The School District pays 99% of both family and single coverage premiums.

B. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulation is unlimited. Upon retirement, payment is made to certificated employees at 35 percent up to a maximum of 56 days, and at 30 percent for classified employees up to a maximum of 60 days.

Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2002 were as follows:

	Principal Outstanding 06/30/01	Additions	Deductions	Principal Outstanding 6/30/02
Energy Conservation Notes 1993 5.95%	30,000	0	10,000	20,000
Energy Conservation Notes 1992 5.95%	125,000	0	60,000	65,000
School Facilities Bond 1999 3.30% - 5.85%	3,475,000	0	85,000	3,390,000
Compensated Absences	856,723	157,502	21,505	992,720
Pension Obligation	110,732	86,004	110,732	86,004
Total Long-Term Obligations	\$4,597,455	\$243,506	\$287,237	\$4,553,724

School Facilities Bonds - The 1999 Classroom Facilities bonds were issued in the amount of \$3,656,000 as a result of the School District being approved for a \$31,072,412 school facilities loan through the State Department of Education for the construction of a new K-12 facility. The School District issued the general obligation bonds to provide a partial cash match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 5.8 mill levy. 5.3 mills will be used to repay the debt issue which provides the matching funds required of the School District as a condition of the State Loan. The remaining .5

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 13 - Long-Term Obligations (Continued)

mill is used for the retirement of the loan, which will be in effect for twenty-three years or until the loans with the State are repaid, whichever comes first. If a balance remains after twenty-three years, the unpaid balance on the loan will be forgiven.

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

Wellston City School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$31,072,412 classroom facilities grant to the State. In lieu of the repayment, the School District must set aside .5 mill of the 5.80 mill levy mentioned above for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. The School District received \$5,435,022 during fiscal year 2002 under this program which was recorded as intergovernmental revenue in the capital projects funds.

The School District's overall legal debt margin was \$5,676,840, with an unvoted debt margin of \$97,596 at June 30, 2002. Principal and interest requirements to retire school facilities bonds outstanding at June 30, 2002, are as follows:

Fiscal Year Ended December 31,	Principal	Interest	Total
2003	\$90,000	\$169,710	\$259,710
2004	100,000	165,953	265,953
2005	100,000	161,878	261,878
2006	105,000	157,623	262,623
2007	115,000	152,916	267,916
2008 - 2012	675,000	678,635	1,353,635
2013 - 2017	935,000	460,568	1,395,568
2018 - 2022	1,270,000	166,000	1,436,000
	<u>\$3,390,000</u>	<u>\$2,113,283</u>	<u>\$5,503,283</u>

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2002, are as follows:

Fiscal Year Ended December 31,	Principal	Interest	Total
2003	\$75,000	\$2,826	\$77,826
2004	10,000	298	10,298
	<u>\$85,000</u>	<u>\$3,124</u>	<u>\$88,124</u>

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 14 - Jointly Governed Organizations

A. Southeast Ohio Voluntary Educational Consortium

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

SEOVEC is governed by a governing board which is selected by the members. Each member has one vote in all matters, and each member's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. SEOVEC operates with its own Treasurer. The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. During fiscal year 2002, the Wellston City School District paid \$34,294 to SEOVEC. To obtain financial information, write to the Southeast Ohio Voluntary Educational Consortium, Barb Weidner, Treasurer, 221 North Columbus Road, Athens, Ohio 45701.

B. Gallia-Jackson-Vinton Joint Vocational School

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

Note 15 - Insurance Purchasing Pool

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

Wellston City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 16 - Interfund Transactions

Interfund balances at June 30, 2002, consist of the following individual interfund receivables and payables:

	Receivable	Payable
General Fund	\$78,674	\$0
Special Revenue Funds:		
District Managed Activities	0	2,000
Ohio Reads	0	15,000
Title VI	0	5,147
Miscellaneous Federal Grants	0	53,650
Total Special Revenue Funds	0	75,797
Enterprise Fund:		
Uniform School Supply	0	2,877
Total All Fund	\$78,674	\$78,674

At June 30, 2002, the Student Managed Activity Agency Fund owed the General Fund \$56 which is reflected as a Due from Other Funds in the General Fund as a Due to Other Funds in the Student Managed Activity Agency Fund.

Note 17 - 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, 2002.

	Food Service	Uniform School Supplies	Latchkey	Total
Operating Revenues	\$114,036	\$27,010	\$27,642	\$168,688
Depreciation	3,150	0	0	3,150
Operating Income (Loss)	(303,771)	2,774	12	(300,985)
Donated Commodities	34,431	0	0	34,431
Operating Grants	297,254	0	0	297,254
Operating Transfers In	0	8,195	0	8,195
Net Income	28,514	10,969	12	39,495
Additions to Fixed Assets	1,800	0	0	1,800
Net Working Capital	45,153	50,688	12	95,853
Total Assets	131,747	53,565	5,189	190,501
Long-Term Compensated Absences Payable	34,547	0	0	34,547
Total Equity	52,189	50,688	12	102,889
Encumbrances Outstanding at June 30, 2002	5,835	2,699	0	8,534

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

Note 18 - Contractual Commitments

As of June 30, 2002, the School District had contractual purchase commitments for the completion of construction of the new elementary, middle, and high schools as follows:

Project	Fund	Contract Amount	Amount Expended	Balance at 06/30/02
Elementary Scholl	Classroom Facilities	\$5,768,110	\$5,748,913	\$19,197
Middle School	Classroom Facilities	11,920,996	11,444,140	476,856
High School	Classroom Facilities	15,032,542	14,206,930	825,612
Total		<u>\$32,721,648</u>	<u>\$31,399,983</u>	<u>\$1,321,665</u>

Note 19 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

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

Note 20 - Set-Aside Calculations

The Wellston City School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for a school district to establish and appropriate money for budget stabilization was deleted from the law. A school district may establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, money on hand in a school district's budget reserve set-aside as of April 10, 2001 that does not represent workers' compensation refunds may, at the discretion of the board, be returned to the district's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve set-aside.

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

Note 20 - Set-Aside Calculations (Continued)

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of as of June 30, 2001	\$0	\$0	\$56,688
Current Year Set-Aside Requirement	222,472	222,472	0
Qualifying Disbursements	<u>(303,093)</u>	<u>(16,472,328)</u>	<u>0</u>
Totals	<u>(\$80,621)</u>	<u>(\$16,249,856)</u>	<u>\$56,688</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$80,621)</u>	<u>\$0</u>	<u>\$56,688</u>
Set-Aside Reserve Balance as of June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$56,688</u>

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

Note 21 - State School Funding Decision

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

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

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

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

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**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution	10.550	N/A	\$	\$ 34,431	\$	\$ 29,551
School Breakfast Program	10.553	05-PU-02	70,622		70,622	
National School Lunch Program	10.555	04-PU-01	182,051		182,051	
Total Nutrition Cluster			<u>252,673</u>	<u>34,431</u>	<u>252,673</u>	<u>29,551</u>
Total United States Department of Agriculture			252,673	34,431	252,673	29,551
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
Goals 2000	84.276	G2-S1-00 G2-S1-01 G2-S1-02	7,000 14,000		3,785 7,690 15,463	
Total Goals 2000			<u>21,000</u>	<u>0</u>	<u>26,938</u>	<u>0</u>
Title I Grants to Local Educational Agencies	84.010	C1-S1-01 C1-S1-02	68,387 443,392		81,922 504,716	
Total Title I Grants to Local Educational Agencies			<u>511,779</u>	<u>0</u>	<u>586,638</u>	<u>0</u>
Special Education Cluster:						
Special Education - Grants to States	84.027	6B-SF-01P 6B-SF-02P	171,273		26,517 122,353	
Total Special Education - Grants to States			<u>171,273</u>	<u>0</u>	<u>148,870</u>	<u>0</u>
Title VI-B - Handicapped Pre-School	84.173	PG-S1-01 PG-S1-02	13,543		5,023 10,939	
Total Title VI-B - Handicapped Pre-School			<u>13,543</u>	<u>0</u>	<u>15,962</u>	<u>0</u>
Total Special Education Cluster			184,816	0	164,832	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DR-S1-00 DR-S1-01 DR-S1-02	2,945 6,912		154 2,352 2,689	
Total Safe and Drug-Free Schools and Communities - State Grants			<u>9,857</u>	<u>0</u>	<u>5,195</u>	<u>0</u>
Eisenhower Professional Development State Grants	84.281	MS-S1-00 MS-S1-01 MS-S1-02	8,397 13,478		4,878 1,228 8,253	
Total Eisenhower Professional Development State Grants			<u>21,875</u>	<u>0</u>	<u>14,359</u>	<u>0</u>
Innovative Education Program Strategies	84.298	C2-S1-00 C2-S1-01 C2-S1-02	4,899 2,807		5,683 3,755 6,492	
Total Innovative Education Program Strategies			<u>7,706</u>	<u>0</u>	<u>15,930</u>	<u>0</u>
Reading Excellence Tutorial	84.338	2000 2001	31,584 50,625		32,925 112,642	
Total Reading Excellence Tutorial			<u>82,209</u>	<u>0</u>	<u>145,567</u>	<u>0</u>
Class Size Reduction	84.340	CR-S1-02	73,702		56,044	0
Total U.S. Department of Education			912,944	0	1,015,503	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Dependent Care Plan (CAFS)	93.673	N/A	61,072		61,072	
Total U. S. Department of Health and Human Services			<u>61,072</u>	<u>0</u>	<u>61,072</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,226,689</u>	<u>\$ 34,431</u>	<u>\$ 1,329,248</u>	<u>\$ 29,551</u>

The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. As of June 30, 2002, the School District had no significant food commodities in inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Wellston City School District
Jackson County
416 North Pennsylvania Ave.
Wellston, Ohio 45692

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Wellston City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 5, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards* in the accompanying Schedule of Findings as items 2002-10740-001 and 2002-1740-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 5, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as item 2002-10740-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated December 5, 2002.

Wellston City School District
Jackson County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

December 5, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Wellston City School District
Jackson County
416 North Pennsylvania Ave.
Wellston, Ohio 45692

To the Board of Education:

Compliance

We have audited the compliance of the Wellston City School District, Jackson County, Ohio (the 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 its major federal program for the year ended June 30, 2002. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 the School District's compliance with those requirements.

In our opinion, the 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, 2002.

Internal Control over Compliance

The management of the 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 the 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.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 5, 2002

**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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(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)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(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 § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.010 Title I
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-10740-001

Noncompliance Citation

Ohio Rev. Code Section 135.18 states that the Treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

During review of FDIC and the additional pledged collateral, we noted the School District did not maintain adequate collateralized coverage of the depository balances. Uncollateralized amounts varied throughout the year from \$858,000 to \$2,353,000 at June 30, 2002. Without having adequate pledged collateral from the School District's financial institutions, the School District could suffer significant financial loss in case of a bank default or failure.

We recommend the School District review the pledged collateral with their depositories on a regular basis. This review would help provide assurance the depository is providing the necessary pledged collateral that is needed in excess of FDIC coverage, to adequately secure the School District's deposits.

FINDING NUMBER 2002-10740-002

Noncompliance Citation

Ohio Rev. Code Section 149.351(A) requires all records which are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under section 149.38 to 149.42 of the Ohio Revised Code.

The Student Activity Handbook, page 15 section 3.5.5 states that activity advisors/coaches must issue receipts for all money received from students.

Per review of Student Activity records, we noted that duplicate receipts were not maintained for several student activities- Class of 2003, Yearbook, High School Student Council, Jr. High Student Council, and FFA. Of those which did utilize duplicate receipts, many were not maintained for donations; many were not pre-numbered, and others, which were pre-numbered did not have books in sequential order. We noted several receipts issued that were not dated, or did not have a detailed description as to the purpose of the receipt (i.e. fundraiser description, donation, etc.).

The Class of 2003 had a candy brochure fundraiser. We noted that \$3,709 was received by the Advisor from this fundraiser, however, due to the lack of supporting documentation, we could only identify that \$3,620 was deposited with the Treasurer (variance of \$89).

This could allow errors and/or irregularities to occur and remain undetected for an extended period of time.

We recommend the School District require supporting documentation (i.e., detailed, pre-numbered duplicate receipts for all money collected, cash accountability forms showing a daily total of money collected) for all fund raising events, in order to ensure that all monies collected have been recorded in the School District's records.

**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-10740-003

Reportable Condition

Per review of the Class of 2003 records, we noted billing receipts from various stores (Family Dollar, Dollar General, Kroger, etc.) which were marked "cash receipts". This indicates that monies were not being deposited with the Treasurer and were subsequently expended.

We recommend that all monies be deposited to the Treasurer's Office daily with detailed documentation as to the source of the money and that all expenditures be made directly from the School District Account.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards.



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OFFICE OF THE AUDITOR

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WELLSTON CITY SCHOOL DISTRICT

JACKSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2003**