



Mary Taylor, CPA
Auditor of State

**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) - General Fund.....	17
Statement of Fiduciary Net Assets - Fiduciary Funds.....	18
Notes to the Basic Financial Statements	19
Schedule of Federal Awards Receipts and Expenditures.....	41
Notes to the Schedule of Federal Awards Receipts and Expenditures	42
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	45
Schedule of Findings - OMB Circular A-133 § .505.....	47

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Wellston City School District
Jackson County
One East Broadway Street
Wellston, Ohio 45692

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellston City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellston City School District, Jackson County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2009, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 14, 2009

Wellston City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2008

Unaudited

The discussion and analysis of the Wellston City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2008 are as follows:

- Net assets of governmental activities decreased \$241,231.
- General revenues accounted for \$13,305,563 in revenue or 77.0 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,955,348 or 23.0 percent of total revenues of \$17,260,911.
- Total assets of governmental activities decreased \$39,694.
- The School District had \$17,502,142 in expenses related to governmental activities; only \$3,955,348 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$13,305,563 were not adequate to provide for these programs.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Wellston City District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Wellston City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2008

Unaudited

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

Governmental Funds All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds The School District accounts for resources held for the benefit of parties outside the government as fiduciary funds. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The School District uses accrual accounting for fiduciary funds.

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

Wellston City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2008

Unaudited

Table 1
Net Assets

	Governmental Activities		
	2008	2007	Change
Assets			
Current and Other Assets	\$13,841,532	\$13,057,917	\$783,615
Capital Assets	33,487,677	34,310,986	(823,309)
Total Assets	47,329,209	47,368,903	(39,694)
Liabilities			
Long-Term Liabilities	3,393,748	3,508,562	(114,814)
Other Liabilities	5,041,072	4,724,721	316,351
Total Liabilities	8,434,820	8,233,283	201,537
Net Assets			
Invested in Capital Assets	30,727,677	31,430,986	(703,309)
Restricted	3,169,293	2,817,697	351,596
Unrestricted	4,997,419	4,886,937	110,482
Total Net Assets	\$38,894,389	\$39,135,620	(\$241,231)

Total assets of governmental activities decreased \$39,694. This is primarily due to increases in cash and cash equivalents of \$346,198, due to conservative spending practices and property taxes receivable increasing \$311,800 due to an increase in delinquent property taxes, combined with a decrease of \$823,309 in capital assets due to deletions and depreciation expense exceeding current year additions.

In total, liabilities increased \$201,537. This is the result of increases in deferred revenue of \$467,671, due to increased delinquent property taxes of \$192,263, combined with a reduction in the amount of property taxes available as an advance of \$352,509, and offset by decreases in long-term liabilities of \$114,814 due to payments made on the District's outstanding school construction bond, and decreases in accrued wages and benefits of \$139,863 resulting from lower insurance accrual expenses.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008, and comparisons to fiscal year 2007.

Wellston City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2008
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities		
	2008	2007	Change
Revenues			
Program Revenues:			
Charges for Services	\$742,579	\$693,730	\$48,849
Operating Grants, Contributions and Interest	3,193,447	2,863,100	330,347
Capital Grants, Contributions and Interest	19,322	21,815	(2,493)
	<u>3,955,348</u>	<u>3,578,645</u>	<u>376,703</u>
General Revenues:			
Property Taxes	2,807,731	3,271,614	(463,883)
Grants and Entitlements	10,251,977	10,306,345	(54,368)
Investment Earnings	233,975	318,391	(84,416)
Gain on Sale of Capital Assets	0	18,710	(18,710)
Miscellaneous	11,880	71,627	(59,747)
	<u>13,305,563</u>	<u>13,986,687</u>	<u>(681,124)</u>
Total Revenues	<u>17,260,911</u>	<u>17,565,332</u>	<u>(304,421)</u>
Program Expenses			
Instruction:			
Regular	7,214,575	7,327,841	(113,266)
Special	2,469,910	2,690,678	(220,768)
Vocational	158,041	137,404	20,637
Support Services:			
Pupils	887,794	800,609	87,185
Instructional Staff	1,142,368	670,418	471,950
Board of Education	104,165	124,768	(20,603)
Administration	1,271,549	1,227,296	44,253
Fiscal	566,672	554,195	12,477
Business	0	5,155	(5,155)
Operation and Maintenance of Plant	1,098,345	995,330	103,015
Pupil Transportation	1,010,169	826,997	183,172
Central	97,067	144,940	(47,873)
Operation of Non-Instructional Services:			
Food Service Operations	908,787	884,962	23,825
Community Services	54,401	66,094	(11,693)
Extracurricular Activities	370,992	355,677	15,315
Interest and Fiscal Charges	147,307	152,399	(5,092)
Total Expenses	<u>17,502,142</u>	<u>16,964,763</u>	<u>537,379</u>
Increase (Decrease) in Net Assets	(241,231)	600,569	(841,800)
Net Assets at Beginning of Year - Restated (See Note 3)	<u>39,135,620</u>	<u>38,535,051</u>	<u>600,569</u>
Net Assets at End of Year	<u>\$38,894,389</u>	<u>\$39,135,620</u>	<u>(\$241,231)</u>

Governmental Activities

While the School District was able to maintain a stable financial position through fiscal year 2008, total net assets did decrease and the economic pressures of academic requirements continue. Revenues decreased \$304,421 compared with 2007. The failure in 2006 of the School District's permanent improvement renewal levy decreased property tax revenue \$463,883, additionally, interest revenue decreased \$84,416, the result of a souring investment environment which decreased our interest earnings. However, grants and entitlement revenue increased \$273,486 due to an increase in funding from Federal grant programs and new grant sources becoming available to the District.

Wellston City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2008

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the revenue from real property taxes generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the relatively sizable increase in the District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up 16.3 percent of revenues for governmental activities for Wellston City School District in 2008. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio. Any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

The decreases noted in total revenue directly contributed to decreases in the net assets of governmental activities. Reductions in the instructional services were not able to offset increases in support services (administration, operation and maintenance of plant) and non-instructional services, though total spending was held to a 3.2 percent increase.

The primary sources of revenue for governmental activities are restricted and unrestricted grants and property taxes. These revenue sources represent 94.3 percent of total revenue. Unrestricted grants and entitlements, alone, represent 59.4 percent of total revenues. Program specific charges for services, interest income, gifts and donations, and miscellaneous revenues account for 5.7 percent.

Instruction comprises approximately 56.2 percent of governmental program expenses. Additional supporting services for pupils, staff, and business operations encompassed an additional 35.3 percent. The remaining 8.5 percent of program expenses is used for other obligations of the School District such as non-instructional service, food service operations, extracurricular activities, and interest and fiscal charges.

The increase noted in Support Services: Instructional Staff is due to capital outlay expenditures made in fiscal year 2007 offsetting the depreciation charged to the same function in fiscal year 2007. No such capital expenditure took place in fiscal year 2008, and therefore, no offset is made to depreciation expenses which increases total expenditures in this line item significantly.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Wellston City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2008

Unaudited

Table 3
Governmental Activities

	2008 Total Cost of Services	2008 Net Cost of Services	2007 Total Cost of Services	2007 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$7,214,575	\$6,449,455	\$7,327,841	\$6,608,922
Special	2,469,910	1,342,391	2,690,678	1,613,943
Vocational	158,041	137,317	137,404	113,457
Support Services:				
Pupils	887,794	670,438	800,609	615,315
Instructional Staff	1,142,368	739,773	670,418	494,824
Board of Education	104,165	84,067	124,768	113,641
Administration	1,271,549	1,125,887	1,227,296	1,138,255
Fiscal	566,672	443,571	554,195	456,819
Business	0	0	5,155	5,155
Operation and Maintenance of Plant	1,098,345	1,016,914	995,330	905,424
Pupil Transportation	1,010,169	943,794	826,997	758,907
Central	97,067	89,269	144,940	141,374
Non-Instructional Services:				
Food Service Operations	908,787	102,221	884,962	52,982
Community Services	54,401	(2,702)	66,094	17,717
Extracurricular Activities	370,992	257,092	355,677	196,984
Interest and Fiscal Charges	147,307	147,307	152,399	152,399
Totals	<u>\$17,502,142</u>	<u>\$13,546,794</u>	<u>\$16,964,763</u>	<u>\$13,386,118</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 72.9% of all instructional activities are supported through taxes and other general revenues.

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,989,984 and expenditures of \$16,800,870.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2008, the School District amended its general fund appropriations numerous times. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

Wellston City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2008

Unaudited

For the General Fund, budget basis revenues were \$13,305,923, above final estimates of \$13,242,628. The difference was due to incorrect assumption regarding the loss of the School District's Permanent Improvement levy. Final estimated revenues were above original estimated revenues of \$11,816,301 also due to incorrect assumptions regarding the loss of the School District's Permanent Improvement Levy. Expenditures of \$13,213,312 were lower than final appropriations of \$14,575,140 due to conservative spending and original appropriations of \$12,148,025 were \$2,427,115 less than final appropriations due to incorrect assumptions for instructional expenditures. The School District's ending unobligated general fund balance was \$6,530,872.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008, the School District had \$33,487,677 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	\$153,935	\$153,935
Land Improvements	40,976	27,530
Buildings and Improvements	30,729,401	31,357,376
Furniture, Fixtures, and Equipment	1,687,162	1,904,040
Vehicles	604,545	561,398
Textbooks	271,658	306,707
Totals	<u>\$33,487,677</u>	<u>\$34,310,986</u>

For addition information on capital assets, see Note 13 to the basic financial statements.

Debt

At June 30, 2008, the School District had general obligation bonds outstanding in the amount of \$2,760,000. For additional information on debt, see Note 17 to the basic financial statements.

CURRENT ISSUES

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes and State subsidies to fund its operations. Due to slow economic growth, the School District does not foresee any sustainable growth in revenue from property taxes or State subsidies. Thus management must diligently plan expenses from the modest growth attained, staying carefully within its five-year forecast. Additional revenues from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

Wellston City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2008

Unaudited

Externally, the School District is largely dependent on State funding sources (nearly 78 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. Reinforcing our forecast of future enrollment decreases, current year enrollment fell by 35 students, and while State revenue growth has shifted toward school districts with low property tax wealth, declining enrollment will serve to somewhat offset any increase in State funding.

Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenses, much of the positive impact has been offset by other negative financial factors that occurred in the past year (higher salaries and insurance costs).

As the preceding information shows, the School District continues to depend upon its taxpayers. Although Wellston City School District has continued to keep spending in line with revenues, and carefully watched financial planning, this must continue of the School District hopes to remain on firm financial footing.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional information, contact Tami Downard, Treasurer at Wellston City School District, One East Broadway Street, Wellston, Ohio 45692.

Wellston City School District, Ohio

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,618,391
Cash and Cash Equivalents in Segregated Accounts	297,601
Materials and Supplies Inventory	10,919
Prepaid Items	4,690
Accrued Interest Receivable	1,208
Intergovernmental Receivable	432,608
Property Taxes Receivable	3,476,115
Nondepreciable Capital Assets	153,935
Depreciable Capital Assets, Net	<u>33,333,742</u>
<i>Total Assets</i>	<u>47,329,209</u>
Liabilities	
Accounts Payable	143,843
Accrued Wages and Benefits Payable	1,263,905
Retainage Payable	297,601
Intergovernmental Payable	475,708
Deferred Revenue	2,811,438
Accrued Interest Payable	11,891
Vacation Benefits Payable	36,686
Long-Term Liabilities:	
Due within One Year	175,081
Due in More than One Year	<u>3,218,667</u>
<i>Total Liabilities</i>	<u>8,434,820</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	30,727,677
Restricted for:	
Budget Stabilization	56,688
Bus Purchase	41,059
Debt Service	1,085,901
Capital Projects	334,721
Other Purposes	1,650,924
Unrestricted	<u>4,997,419</u>
<i>Total Net Assets</i>	<u><u>\$38,894,389</u></u>

See accompanying notes to the basic financial statements

Wellston City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June, 30, 2008

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$7,214,575	\$354,975	\$410,145	\$0	(\$6,449,455)
Special	2,469,910	0	1,127,519	0	(1,342,391)
Vocational	158,041	0	20,724	0	(137,317)
Support Services:					
Pupils	887,794	0	217,356	0	(670,438)
Instructional Staff	1,142,368	0	402,595	0	(739,773)
Board of Education	104,165	0	20,098	0	(84,067)
Administration	1,271,549	0	145,662	0	(1,125,887)
Fiscal	566,672	324	122,777	0	(443,571)
Operation and Maintenance of Plant	1,098,345	270	81,161	0	(1,016,914)
Pupil Transportation	1,010,169	0	47,053	19,322	(943,794)
Central	97,067	0	7,798	0	(89,269)
Operation of Non-Instructional Services:					
Food Service Operations	908,787	289,110	517,456	0	(102,221)
Community Services	54,401	0	57,103	0	2,702
Extracurricular Activities	370,992	97,900	16,000	0	(257,092)
Interest and Fiscal Charges	147,307	0	0	0	(147,307)
Totals	\$17,502,142	\$742,579	\$3,193,447	\$19,322	(13,546,794)
General Revenues					
Property Taxes Levied for:					
General Purposes					2,425,035
Debt Service					307,485
Capital Projects					31,835
Classroom Facilities Maintenance					43,376
Grants and Entitlements not Restricted to Specific Programs					10,251,977
Investment Earnings					233,975
Miscellaneous					11,880
<i>Total General Revenues</i>					<u>13,305,563</u>
<i>Change in Net Assets</i>					(241,231)
<i>Net Assets at Beginning of Year</i>					<u>39,135,620</u>
<i>Net Assets at End of Year</i>					<u><u>\$38,894,389</u></u>

See accompanying notes to the basic financial statements

Wellston City School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2008*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,364,997	\$1,026,745	\$2,135,951	\$9,527,693
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	90,698	0	0	90,698
Cash and Cash Equivalents in Segregated Accounts	130,026	0	167,575	297,601
Receivables:				
Taxes	3,017,607	397,166	61,342	3,476,115
Intergovernmental	13,127	0	419,481	432,608
Interfund	159,666	0	0	159,666
Accrued Interest	1,208	0	0	1,208
Materials and Supplies Inventory	0	0	10,919	10,919
Prepaid Items	4,690	0	0	4,690
Total Assets	\$9,782,019	\$1,423,911	\$2,795,268	\$14,001,198
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$115,372	\$0	\$28,471	\$143,843
Accrued Wages and Benefits Payable	1,011,272	0	252,633	1,263,905
Retainage Payable	130,026	0	167,575	297,601
Interfund Payable	0	6,395	153,271	159,666
Intergovernmental Payable	368,217	0	107,491	475,708
Deferred Revenue	2,918,635	383,889	347,089	3,649,613
Total Liabilities	4,543,522	390,284	1,056,530	5,990,336
Fund Balances				
Reserved for Encumbrances	88,037	0	103,350	191,387
Reserved for Budget Stabilization	56,688	0	0	56,688
Reserved for Bus Purchases	41,059	0	0	41,059
Reserved for Property Taxes	95,170	12,767	2,321	110,258
Unreserved, Undesignated, Reported in:				
General Fund	4,957,543	0	0	4,957,543
Special Revenue Funds	0	0	1,354,714	1,354,714
Capital Projects Funds	0	0	278,353	278,353
Debt Service Fund	0	1,020,860	0	1,020,860
Total Fund Balances	5,238,497	1,033,627	1,738,738	8,010,862
Total Liabilities and Fund Balances	\$9,782,019	\$1,423,911	\$2,795,268	\$14,001,198

See accompanying notes to the basic financial statements

Wellston City School District, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2008*

Total Governmental Fund Balances		\$8,010,862
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Amounts reported for governmental activities in the statement of net assets are different because

Capital Assets used in governmental activities are not financial resources are not reported in the funds		33,487,677
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Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:

Property Taxes	550,014		
Grants	<u>288,161</u>		838,175

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

School Construction Bonds	(2,760,000)		
Accrued Interest Payable	(11,891)		
Sick Leave Benefits Payable	(633,748)		
Vacation Benefits Payable	<u>(36,686)</u>		<u>(3,442,325)</u>

Net Assets of Governmental Activities		<u><u>\$38,894,389</u></u>
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See accompanying notes to the basic financial statements

Wellston City School District, Ohio
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,255,513	\$284,744	\$75,211	\$2,615,468
Intergovernmental	10,176,667	80,695	2,988,529	13,245,891
Investment Earnings	233,975	37,975	32,093	304,043
Tuition and Fees	329,686	0	20,582	350,268
Rent	3,900	0	0	3,900
Charges for Services	0	0	291,490	291,490
Donations	0	0	70,123	70,123
Extracurricular	0	0	95,520	95,520
Miscellaneous	11,816	0	1,465	13,281
<i>Total Revenues</i>	<u>13,011,557</u>	<u>403,414</u>	<u>3,575,013</u>	<u>16,989,984</u>
Expenditures				
Current:				
Instruction:				
Regular	5,934,423	0	1,015,731	6,950,154
Special	1,803,830	0	525,614	2,329,444
Vocational	148,951	0	0	148,951
Support Services:				
Pupils	640,281	0	197,046	837,327
Instructional Staff	682,302	0	379,071	1,061,373
Board of Education	100,791	0	3,374	104,165
Administration	1,073,237	0	128,598	1,201,835
Fiscal	512,827	32,011	8,886	553,724
Operation and Maintenance of Plant	935,391	0	131,629	1,067,020
Pupil Transportation	895,972	0	88,120	984,092
Central	88,301	0	3,362	91,663
Operation of Non-Instructional Services:				
Food Service Operations	0	0	794,245	794,245
Community Services	95	0	50,457	50,552
Extracurricular Activities	188,833	0	169,747	358,580
Debt Service:				
Principal Retirement	0	120,000	0	120,000
Interest and Fiscal Charges	0	147,745	0	147,745
<i>Total Expenditures</i>	<u>13,005,234</u>	<u>299,756</u>	<u>3,495,880</u>	<u>16,800,870</u>
<i>Excess of Revenues Over Expenditures</i>	6,323	103,658	79,133	189,114
Other Financing Source				
Proceeds from Sale of Capital Assets	11,000	0	0	11,000
<i>Net Change in Fund Balance</i>	17,323	103,658	79,133	200,114
<i>Fund Balances at Beginning of Year</i>	<u>5,221,174</u>	<u>929,969</u>	<u>1,659,605</u>	<u>7,810,748</u>
<i>Fund Balances at End of Year</i>	<u><u>\$5,238,497</u></u>	<u><u>\$1,033,627</u></u>	<u><u>\$1,738,738</u></u>	<u><u>\$8,010,862</u></u>

See accompanying notes to the basic financial statements

Wellston City School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds \$200,114

***Amounts reported for governmental activities in the statement
of activities are different because***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Asset Additions	310,429	
Depreciation Expense	<u>(1,095,290)</u>	(784,861)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of assets.

Proceeds from the Sale of Capital Assets	(11,000)	
Loss on Disposal of Capital Assets	<u>(27,448)</u>	(38,448)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Grants	78,664	
Delinquent Taxes	<u>192,263</u>	270,927

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 120,000

In the statement of activities interest is accrued on outstanding bonds and notes, whereas in governmental funds, interest is expended when due. 438

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Sick Leave Benefits Payable	(5,186)	
Vacation Benefits Payable	<u>(4,215)</u>	<u>(9,401)</u>

Change in Net Assets of Governmental Activities (\$241,231)

See accompanying notes to the basic financial statements

Wellston City School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$2,232,276	\$2,437,894	\$2,555,982	\$118,088
Intergovernmental	9,073,644	10,226,604	10,169,540	(57,064)
Investment Earnings	225,545	236,737	234,123	(2,614)
Tuition and Fees	219,468	302,520	329,686	27,166
Rent	3,800	3,900	3,900	0
Miscellaneous	61,568	34,973	12,692	(22,281)
<i>Total Revenues</i>	<u>11,816,301</u>	<u>13,242,628</u>	<u>13,305,923</u>	<u>63,295</u>
Expenditures				
Current:				
Instruction:				
Regular	5,081,977	6,677,363	6,036,469	640,894
Special	1,623,839	1,953,646	1,814,351	139,295
Vocational	108,022	163,052	149,904	13,148
Support Services:				
Pupils	477,877	717,230	642,344	74,886
Instructional Staff	832,202	844,758	684,157	160,601
Board of Education	254,466	181,449	139,904	41,545
Administration	876,265	1,128,996	1,080,348	48,648
Fiscal	476,418	475,397	527,215	(51,818)
Operation and Maintenance of Plant	1,063,857	1,175,393	987,120	188,273
Pupil Transportation	1,089,251	977,350	892,011	85,339
Central	72,670	93,170	90,335	2,835
Operation of Non-Instructional Activities:				
Community Services	622	290	95	195
Extracurricular Activities	190,559	187,046	169,059	17,987
<i>Total Expenditures</i>	<u>12,148,025</u>	<u>14,575,140</u>	<u>13,213,312</u>	<u>1,361,828</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(331,724)</u>	<u>(1,332,512)</u>	<u>92,611</u>	<u>1,425,123</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	239,976	500	5,000	4,500
Advances In	168,173	0	0	0
Transfers Out	(21,336)	(6,521)	0	6,521
Advances Out	(142,021)	(24,615)	0	24,615
<i>Total Other Financing Sources (Uses)</i>	<u>244,792</u>	<u>(30,636)</u>	<u>5,000</u>	<u>35,636</u>
<i>Net Change in Fund Balance</i>	(86,932)	(1,363,148)	97,611	1,460,759
<i>Fund Balance at Beginning of Year</i>	6,207,104	6,207,104	6,207,104	0
Prior Year Encumbrances Appropriated	226,157	226,157	226,157	0
<i>Fund Balance at End of Year</i>	<u>\$6,346,329</u>	<u>\$5,070,113</u>	<u>\$6,530,872</u>	<u>\$1,460,759</u>

See accompanying notes to the basic financial statements

Wellston City School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2008

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$60,882</u></u>
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Liabilities

Due to Students	<u><u>\$60,882</u></u>
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See accompanying notes to the basic financial statements

Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 75 classified employees, 129 certified teaching personnel, and 6 administrators, who provide services to 1,635 students and other community members.

Reporting Entity

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

The following activity is included within the reporting entity:

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

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 the Southeastern Ohio Voluntary Education Cooperative, the Gallia-Jackson-Vinton Joint Vocational School District, and the Coalition of Rural and Appalachian Schools which are defined as jointly governed organizations. The School District also participates in the School's of Ohio Risk Sharing Authority (SORSA), and Ohio School Boards Association Workers' Compensation Group Rating Plan which are defined as insurance purchasing pools. These organizations are presented in Notes 8 and 9.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the 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 governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The School District uses two categories of funds: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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.

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

Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equals liabilities) and does not involve the measurement of results of operations. The School District's only fiduciary fund is an agency fund, which accounts for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (revenues) and decreases (expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions 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 fiscal year end.

Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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 fiscal 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 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, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The School District has two segregated bank accounts for monies retained by the School District which were used during construction to insure satisfactory completion of the school facilities project. The school facilities project was completed during fiscal year 2003, but due to litigation between two of the vendors, has not been distributed at June 30, 2008. These accounts are presented on the balance sheet as "cash and cash equivalents in segregated accounts" since they are kept separate from the School District treasury.

During fiscal year 2008, investments were limited to non-negotiable certificates of deposit, which are reported at cost, and to the State Treasury Asset Reserve of Ohio (STAROhio).

Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue is credited to the General Fund; the Lunchroom, Public School Support, Education Foundation, Classroom Maintenance, and the Athletics Special Revenue Funds; the Bond Retirement Debt Service Fund; and the Classroom Facilities Capital Projects Fund. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$233,975, which includes \$78,465 assigned from other School District funds.

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 presented as cash and cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by State statute to be set-aside by the School District for the creation of a reserve for budget stabilization. Restricted assets on the Balance Sheet do not equal reserves by the amount of the bus purchase receivable, see Note 7. See Note 18 for additional information regarding set-asides.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption and donated and purchased commodities held for resale.

I. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition 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.

Wellston City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful life of the related capital asset. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	10 years
Textbooks	20 years

J. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used aren't eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

K. 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 liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities as the balances for most employees are to be used by employees in the fiscal year following the fiscal year in which the benefit was earned.

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 service.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

M. Fund Balance Reserves

The School District reserves those portions of fund balance 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, 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. Interfund Balances

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

O. 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.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted for specific purposes.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Q. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Allocations of appropriations to the function and object levels are made by the Treasurer.

Wellston City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 3 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2008:

	<u>Deficit</u>
Special Revenue Funds:	
Public Preschool	\$20,619
Title VI-B Idea	45,120
Title I	9,207
Title V	1,329
Handicapped Preschool	1,650
Title II-A	24,266

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 balance 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 Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the General Fund is 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 (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

Wellston City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

5. Unrecorded cash and prepaid items are reported on the balance sheet (GAAP basis) but not on the budgetary basis.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$17,323
Revenue Accruals	333,237
Expenditure Accruals	(149,208)
Beginning of Fiscal Year:	
Unrecorded Cash	463
Prepaid Items	46,003
End of Fiscal Year:	
Unrecorded Cash	(45,334)
Prepaid Items	(4,690)
Encumbrances	<u>(100,183)</u>
Budget Basis	<u><u>\$97,611</u></u>

Note 5 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;

Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$3,021,904 of the School District's bank balance of \$3,206,319 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of June 30, 2008, the School District's investment in STAROhio had an average maturity of 53.8 days and a fair value of \$6,862,143.

Interest Rate Risk The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk STAROhio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Note 6 - Property Taxes

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

Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. 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.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 was 6.25 percent and will be reduced to zero for 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2008 the tangible personal property tax settlement from Jackson County was not received until July of 2008.

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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$95,170 in the General Fund, \$12,767 in the Bond Retirement Debt Service Fund, and \$2,321 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2007, was \$399,441 in the General Fund, \$53,584 in the Bond Retirement Debt Service Fund, and \$9,742 in the Classroom Facilities Maintenance Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

Wellston City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

	2007 Second Half Collections		2008 First Half Collections	
Real Property	\$99,636,770	80.52%	\$98,585,710	83.80%
Public Utility Property	6,991,330	5.65%	7,369,730	6.26%
Tangible Personal Property	17,118,408	13.83%	11,690,068	9.94%
Total	\$123,746,508	100.00%	\$117,645,508	100.00%
 Tax Rate per \$1,000 of Assessed Valuation		\$23.80		\$23.80

Note 7 - Receivables

Receivables at June 30, 2008, consisted of property taxes, interfund, accrued interest, 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. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Public Preschool	\$11,231
Ohio Reads	21,872
Title VI-B Idea	208,861
Title I	150,267
Title V	1,770
Handicapped Preschool	4,141
Title VI-B Rural	18,994
Title II-A	2,345
Bus Purchases	7,127
Miscellaneous	6,000
Total	\$432,608

Note 8 - Jointly Governed Organizations

A. Southeastern Ohio Voluntary Education Cooperative

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 30 participants consisting of 26 school districts and 4 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2008, the School District paid \$25,734 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, at 221 North Columbus Road, Athens, Ohio 45701.

Wellston City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

B. Gallia-Jackson-Vinton Joint Vocational School District

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

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (Coalition) consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each County elected by the school districts within that County. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District paid the Coalition \$15 for services provided during the fiscal year. Financial information can be obtained from Dick Fisher, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 9 - Insurance Purchasing Pool

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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.

B. School's of Ohio Risk Sharing Authority, Inc.

The School District participates in the School's of Ohio Risk Sharing Authority, Inc. (SORSA), an insurance purchasing pool. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to School District property and persons which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include, comprehensive general liability, automobile liability, certain property insurance and educator's errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one member on the board at any one time. Each member school district's control is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

Wellston City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 10 – Interfund Balances

Interfund receivables and payables at June 30, 2008, consist of the following individual balances, representing monies advanced to funds to be repaid when grant funds or other program revenues are received:

	Interfund Receivables	Interfund Payables
General Fund	<u>\$159,666</u>	<u>\$0</u>
Major Fund:		
Bond Retirement	<u>0</u>	<u>6,395</u>
Other Governmental Funds:		
Food Service	0	53,500
Uniform School Supply	0	2,877
Athletics	0	15,120
Title VI-B Idea	0	79,054
Miscellaneous Federal Grants	<u>0</u>	<u>2,720</u>
Total Other Governmental Funds	<u>0</u>	<u>153,271</u>
Total All Funds	<u><u>\$159,666</u></u>	<u><u>\$159,666</u></u>

Note 11 - 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 are 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, 2008.

B. Litigation

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

Note 12 - Risk Management

A. Property and Liability

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 2008, the School District participated with other school districts in Ohio in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool (Note 9). Each individual school district enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles it selects. The School District pays its annual premiums to SORSA. The types and amounts of coverage provided are as follows:

Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$1,000	\$51,589,851
General Liability:		
Each Occurrence	0	4,000,000
Aggregate Limit	0	6,000,000
Products - Completed Operations Aggregate Limit	0	4,000,000
Personal and Advertising Injury Limit - Each Offense	0	4,000,000
Employers' Liability:		
Each Occurrence	0	1,000,000
Disease - Each Employee	0	1,000,000
Disease - Policy Limit	0	1,000,000
Employee Benefits Liability:		
Each Occurrence	0	4,000,000
Aggregate Limit	0	6,000,000
Hazardous Substances	1,000	50,000
CFC Refrigeration	1,000	25,000
Spoilage	1,000	10,000
Vehicles:		
Bodily Injury:		
Per Person	0	4,000,000
Per Accident	0	4,000,000
Property Damage	0	4,000,000
Uninsured Motorist:		
Per Person	0	1,000,000
Per Accident	0	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2007.

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 9). 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. 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, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 13 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/08</u>
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$153,935	\$0	\$0	\$153,935
Depreciable Capital Assets:				
Land Improvements	116,031	16,219	0	132,250
Buildings and Improvements	35,172,973	0	0	35,172,973
Furniture, Fixtures, and Equipment	3,421,909	112,402	(124,180)	3,410,131
Vehicles	1,361,998	151,290	(75,660)	1,437,628
Textbooks	620,939	30,518	0	651,457
Total Depreciable Capital Assets	<u>40,693,850</u>	<u>310,429</u>	<u>(199,840)</u>	<u>40,804,439</u>
Less Accumulated Depreciation:				
Land Improvements	(88,501)	(2,773)	0	(91,274)
Buildings and Improvements	(3,815,597)	(627,975)	0	(4,443,572)
Furniture, Fixtures, and Equipment	(1,517,869)	(298,398)	93,298	(1,722,969)
Vehicles	(800,600)	(100,577)	68,094	(833,083)
Textbooks	(314,232)	(65,567)	0	(379,799)
Total Accumulated Depreciation	<u>(6,536,799)</u>	<u>(1,095,290) *</u>	<u>161,392</u>	<u>(7,470,697)</u>
Total Capital Assets being Depreciated, Net	<u>34,157,051</u>	<u>(784,861)</u>	<u>(38,448)</u>	<u>33,333,742</u>
Capital Assets, Net	<u>\$34,310,986</u>	<u>(\$784,861)</u>	<u>(\$38,448)</u>	<u>\$33,487,677</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$327,014
Special	146,091
Vocational	11,548
Support Services:	
Pupils	50,043
Instructional Staff	111,633
Administration	76,988
Fiscal	11,548
Operation and Maintenance of Plant	51,368
Pupil Transportation	175,481
Central	3,849
Food Service Operations	113,466
Community Services	3,849
Extracurricular Activities	<u>12,412</u>
Total Depreciation Expense	<u>\$1,095,290</u>

Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 14 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Funding Policy – Plan members are required to contribute 10 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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$162,533, \$185,344, and \$189,813, respectively; 48.48 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$819,036, \$872,884, and \$728,966, respectively; 85.64 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$10,542 made by the School District and \$14,086 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The Board's contribution rate is 6.2 percent of wages paid.

Note 15 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and obligations to contribute are established by the System based on authority granted by State statute. The financial report of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 E. Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$111,481, \$100,933, and \$97,124, respectively; 35.2 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$10,760, \$11,043, and \$13,633, respectively; 43.92 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost-sharing, multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888)227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board the authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$63,003, \$67,145, and \$57,761, respectively; 85.64 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 16- Employee Benefits

A. 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. At fiscal year end, up to ten vacation days can be carried over for not more than one fiscal year. 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. There is no limit to sick leave accrual. 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.

B. Insurance Benefits

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

Health insurance is provided through United Healthcare. Monthly premiums for this coverage are \$1,476.54 for family coverage and \$492.18 for single coverage. Dental insurance is provided by CoreSource and vision insurance is provided by Guardian Insurance. Monthly premiums for this coverage are \$58.18 for family coverage and \$23.34 for single coverage. The School District pays 99% of both family and single coverage premiums.

Wellston City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 17 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

	Outstanding 6/30/07	Additions	Deductions	Outstanding 6/30/08	Due Within One Year
Governmental Activities:					
1999 3.30% - 5.85% School Construction General Obligation Bonds	\$2,880,000	\$0	\$120,000	\$2,760,000	\$125,000
Sick Leave Benefits	628,562	74,122	68,936	633,748	50,081
Total Governmental Activities Long-Term Liabilities	<u>\$3,508,562</u>	<u>\$74,122</u>	<u>\$188,936</u>	<u>\$3,393,748</u>	<u>\$175,081</u>

School Construction General Obligation Bonds The School District issued general obligation bonds for \$3,656,000 as a result of the School District being approved for a \$31,072,412 school facilities loan through the Ohio School Facilities Commission for additions to the elementary school, and the construction of a new middle school and high school. The School District issued the bonds on June 9, 1999, to provide the required local match for the school facilities loan. As a requirement of the loan, the School District was required to pass a 5.8 mill levy. 5.3 mills will be used to repay the debt issue which provided the matching funds required of the School District. The remaining .5 mills is used for facilities maintenance.

Principal and interest requirements to retire the General Obligation Bonds outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$125,000	\$142,263	\$267,263
2010	135,000	136,412	271,412
2011	145,000	129,968	274,968
2012	150,000	122,247	272,247
2013	165,000	113,150	278,150
2014 - 2018	995,000	405,293	1,400,293
2019 - 2022	1,045,000	108,125	1,153,125
	<u>\$2,760,000</u>	<u>\$1,157,458</u>	<u>\$3,917,458</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, and the Food Service, Public Preschool, Poverty Based Assistance, Title VI-B Idea, and the Handicapped Preschool Special Revenue Funds.

The School District's overall legal debt margin was \$8,813,977, with an unvoted debt margin of \$117,115 at June 30, 2008.

Wellston City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 18 - Set-Aside Calculations

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

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of as of June 30, 2007	(\$188,468)	\$0	\$56,688
Current Year Set-Aside Requirement	248,560	248,560	0
Current Year Offsets	0	(129,409)	0
Qualifying Disbursements	(342,663)	(279,911)	0
Totals	<u>(\$282,571)</u>	<u>(\$160,760)</u>	<u>\$56,688</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$282,571)</u>	<u>\$0</u>	<u>\$56,688</u>
Set-Aside Reserve Balance as of June 30, 2008	<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 improvements set-aside amounts below zero. The extra amount in the textbooks set-aside may be used to reduce the set-aside requirements for future years.

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**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant Year	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Food Donation	10.550	2008	\$	\$ 39,019		\$ 39,019
Nutrition Cluster:						
School Breakfast Program	10.553	2007	14,228		14,228	
		2008	123,074		123,074	
Total School Breakfast Program			137,302	0	137,302	0
National School Lunch Program	10.555	2007	31,512		31,512	
		2008	313,861		313,861	
Total National School Lunch Program			345,373	0	345,373	0
Total Nutrition Cluster			482,675	0	482,675	0
Fresh Fruit and Vegetable Program	10.582	2007	315		315	
		2008	8,000		8,000	
Total Fresh Fruit and Vegetable Program			8,315	0	8,315	0
Total United States Department of Agriculture			490,990	39,019	490,990	39,019
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	2007	19,492		82,125	
		2008	466,602		451,452	
Total Title I Grants to Local Educational Agencies			486,094	0	533,577	0
Special Education Cluster:						
Special Education - Grants to States	84.027	2007	15,245		104,452	
		2008	373,996		424,315	
Total Special Education - Grants to States			389,241	0	528,767	0
Special Education Preschool Grants	84.173	2007	1,703		4,466	
		2008	13,328		12,948	
Total Special Education Preschool Grants			15,031	0	17,414	0
Total Special Education Cluster			404,272	0	546,181	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	2007	742		280	
		2008	6,373		5,373	
Total Safe and Drug-Free Schools and Communities - State Grants			7,115		5,653	0
State Grants for Innovative Education Programs	84.298	2008	2,404		2,263	
Education Technology State Grants	84.318	2007			549	
		2008	3,237		4,143	
Total Education Technology State Grants			3,237	0	4,692	0
Rural Education	84.358	2007	13,619		19,285	
		2008	28,121		29,420	
Total Rural Education			41,740	0	48,705	0
Improving Teacher Quality State Grants	84.367	2007	4,219		19,617	
		2008	145,478		142,164	
Total Improving Teacher Quality State Grants			149,697	0	161,781	0
Total United States Department of Education			1,094,559	0	1,302,852	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	93.778	2008	3,853		0	
Total United States Department of Health and Human Services			3,853	0	0	0
Total Federal Awards Receipts and Expenditures			\$ 1,589,402	\$ 39,019	\$ 1,793,842	\$ 39,019

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 THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Wellston City School District
Jackson County
One East Broadway Street
Wellston, Ohio 45692

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellston City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 14, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the School District's management in a separate letter dated May 14, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated May 14, 2009.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

May 14, 2009



Mary Taylor, CPA

Auditor of State

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

Wellston City School District
Jackson County
One East Broadway Street
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 apply to its major federal program for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 14, 2009

**WELLSTON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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):	Title I Grants to Local Educational Agencies- CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

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
JUNE 4, 2009**