



**Union Scioto
Local School District**

Ross County

Single Audit

For the Fiscal Year Ended June 30, 2001

J. L. UHRIG & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS

**78 North Plaza Blvd.
Chillicothe, Ohio 45601**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Union Scioto Local School District
1432 Egypt Pike Road
Chillicothe, Ohio 45601-3905

We have reviewed the Independent Auditor's Report of the Union Scioto Local School District, Ross County, prepared by J. L. Uhrig & Associates, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

February 14, 2002

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J. L. UHRIG & ASSOCIATES, INC.

Certified Public Accountants

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Independent Auditor's Report

Board of Education
Union Scioto Local School District
1432 Egypt Pike Road
Chillicothe, Ohio 45601

We have audited the accompanying financial statements of the Union Scioto Local School District (the District) as of and for the year ended June 30, 2001. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 16, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

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

J. L. Uhrig & Associates, Inc.

J. L. UHRIG & ASSOCIATES, INC.
Certified Public Accountants

January 16, 2002

Union Scioto Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,361,532	\$348,921	\$463,408	\$9,638,271
Cash and Cash Equivalents With Fiscal Agents	0	0	0	0
Receivables:				
Property Taxes	1,973,109	46,900	527,166	0
Income Taxes	352,267	0	0	0
Accounts	5,939	6,964	0	0
Intergovernmental	0	13,550	0	21,451,841
Interfund Receivable	10,006	0	0	0
Prepaid Items	9,727	0	0	0
Materials and Supplies Inventory	0	1,135	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	40,363	0	0	0
Fixed Assets	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$3,752,943	\$417,470	\$990,574	\$31,090,112

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Internal Service	Trust and Agency			
\$1,000	\$50,990	\$0	\$0	\$11,864,122
82,277	0	0	0	82,277
0	0	0	0	2,547,175
0	0	0	0	352,267
0	0	0	0	12,903
453,361	0	0	0	21,918,752
0	0	0	0	10,006
0	0	0	0	9,727
0	0	0	0	1,135
0	0	0	0	40,363
0	0	14,434,907	0	14,434,907
0	0	0	501,554	501,554
0	0	0	6,355,903	6,355,903
<u>\$536,638</u>	<u>\$50,990</u>	<u>\$14,434,907</u>	<u>\$6,857,457</u>	<u>\$58,131,091</u>

Union Scioto Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities,</i>				
<i>Fund Equity and Other Credits:</i>				
<i>Liabilities:</i>				
Accounts Payable	\$24,804	\$14,146	\$0	\$0
Contracts Payable	0	0	0	291,511
Accrued Wages and Benefits	1,183,834	2,269	0	0
Compensated Absences Payable	64,110	2,544	0	0
Retainage Payable	0	0	0	24,860
Intergovernmental Payable	195,136	7,703	0	29,898
Interfund Payable	0	10,006	0	0
Deferred Revenue	1,836,902	49,736	489,020	21,436,739
Undistributed Monies	0	0	0	0
Accrued Interest Payable	0	0	0	7,758
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,304,786	86,404	489,020	21,790,766
<i>Fund Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	97,493	9,657	0	733,415
Reserved for Inventory	0	1,135	0	0
Reserved for Property Taxes	136,207	3,394	38,146	0
Reserved for Budget Stabilization	40,363	0	0	0
Unreserved:				
Undesignated	174,094	316,880	463,408	8,565,931
Total Fund Equity and Other Credits	448,157	331,066	501,554	9,299,346
Total Liabilities, Fund Equity and Other Credits	\$3,752,943	\$417,470	\$990,574	\$31,090,112

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$38,950
0	0	0	0	291,511
0	0	0	0	1,186,103
0	0	0	1,376,823	1,443,477
0	0	0	0	24,860
0	0	0	100,391	333,128
0	0	0	0	10,006
0	0	0	0	23,812,397
0	48,855	0	0	48,855
0	0	0	0	7,758
187,840	0	0	0	187,840
0	0	0	88,766	88,766
0	0	0	230,000	230,000
0	0	0	5,061,477	5,061,477
<u>187,840</u>	<u>48,855</u>	<u>0</u>	<u>6,857,457</u>	<u>32,765,128</u>
0	0	14,434,907	0	14,434,907
348,798	0	0	0	348,798
0	0	0	0	840,565
0	0	0	0	1,135
0	0	0	0	177,747
0	0	0	0	40,363
0	2,135	0	0	9,522,448
<u>348,798</u>	<u>2,135</u>	<u>14,434,907</u>	<u>0</u>	<u>25,365,963</u>
<u>\$536,638</u>	<u>\$50,990</u>	<u>\$14,434,907</u>	<u>\$6,857,457</u>	<u>\$58,131,091</u>

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Union Scioto Local School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
<u>Revenues:</u>						
Property Taxes	\$1,780,302	\$44,539	\$419,313	\$147,548	\$0	\$2,391,702
Income Taxes	860,890	0	0	0	0	860,890
Intergovernmental	7,049,340	818,722	65,762	6,265,963	0	14,199,787
Interest	155,114	0	0	298,311	209	453,634
Tuition and Fees	88,730	0	0	0	0	88,730
Rent	2,153	0	0	0	0	2,153
Extracurricular Activities	0	194,725	0	0	0	194,725
Gifts and Donations	0	80,825	0	0	1,000	81,825
Customer Services	0	307,596	0	0	0	307,596
Miscellaneous	104,801	10,484	0	572	0	115,857
Total Revenues	10,041,330	1,456,891	485,075	6,712,394	1,209	18,696,899
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	5,808,275	162,923	0	97,625	0	6,068,823
Special	461,870	389,967	0	0	0	851,837
Vocational	16,625	0	0	0	0	16,625
Support Services:						
Pupils	304,365	16,556	0	0	3,376	324,297
Instructional Staff	367,623	89,425	0	13,988	0	471,036
Board of Education	148,742	1,851	0	0	203	150,796
Administration	896,294	99,790	0	0	0	996,084
Fiscal	235,167	827	9,296	0	0	245,290
Operation and Maintenance of Plant	905,874	0	0	0	0	905,874
Pupil Transportation	710,082	2,544	0	0	0	712,626
Central	0	5,111	0	0	0	5,111
Operation of Non-Instructional Services	0	520,779	0	0	0	520,779
Extracurricular Activities	162,335	105,326	0	0	0	267,661
Capital Outlay	137,129	0	0	2,031,308	0	2,168,437
Debt Service:						
Principal Retirement	38,160	0	215,000	0	0	253,160
Interest and Fiscal Charges	9,803	0	196,444	155,306	0	361,553
Total Expenditures	10,202,344	1,395,099	420,740	2,298,227	3,579	14,319,989
Excess of Revenues Over (Under) Expenditures	(161,014)	61,792	64,335	4,414,167	(2,370)	4,376,910
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Bonds	0	0	0	4,225,928	0	4,225,928
Inception of Capital Leases	30,975	0	0	0	0	30,975
Operating Transfers In	0	34,663	0	0	0	34,663
Operating Transfers Out	(387,356)	0	0	0	0	(387,356)
Total Other Financing Sources (Uses)	(356,381)	34,663	0	4,225,928	0	3,904,210
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(517,395)	96,455	64,335	8,640,095	(2,370)	8,281,120
Fund Balances at Beginning of Year - Restated (Note 3)	965,552	234,713	437,219	659,251	4,505	2,301,240
Decrease in Reserve for Inventory	0	(102)	0	0	0	(102)
Fund Balances at End of Year	\$448,157	\$331,066	\$501,554	\$9,299,346	\$2,135	\$10,582,258

See accompanying notes to the general purpose financial statements

Union Scioto Local School District
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$1,922,958	\$1,922,958	\$0	\$46,507	\$46,507	\$0
Income Taxes	772,838	772,838	0	0	0	0
Intergovernmental	7,042,340	7,042,340	0	842,512	842,512	0
Interest	155,114	155,114	0	0	0	0
Tuition and Fees	85,385	85,385	0	0	0	0
Rent	2,153	2,153	0	0	0	0
Extracurricular Activities	0	0	0	187,951	187,951	0
Gifts and Donations	0	0	0	88,439	88,439	0
Customer Services	0	0	0	307,596	307,596	0
Miscellaneous	86,608	86,608	0	10,434	10,434	0
Total Revenues	10,067,396	10,067,396	0	1,483,439	1,483,439	0
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	5,590,138	5,590,138	0	165,658	165,658	0
Special	439,536	439,536	0	394,938	394,938	0
Vocational	16,622	16,622	0	0	0	0
Support Services:						
Pupils	255,829	255,829	0	16,615	16,615	0
Instructional Staff	399,616	399,616	0	94,980	94,980	0
Board of Education	176,903	176,903	0	1,851	1,851	0
Administration	883,050	883,050	0	103,829	103,829	0
Fiscal	238,863	238,863	0	827	827	0
Operation and Maintenance of Plant	953,653	953,653	0	0	0	0
Pupil Transportation	664,517	664,593	(76)	0	0	0
Central	0	0	0	5,111	5,111	0
Operation of Non-Instructional Services	0	0	0	535,004	535,004	0
Extracurricular Activities	157,462	157,462	0	105,805	105,805	0
Capital Outlay	106,154	106,154	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,882,343	9,882,419	(76)	1,424,618	1,424,618	0
Excess of Revenues Over (Under) Expenditures	185,053	184,977	(76)	58,821	58,821	0
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Long-Term Bonds	0	0	0	0	0	0
Refund of Prior Year Expenditures	30,692	30,692	0	50	50	0
Refund of Prior Year Receipts	0	0	0	(2,000)	(2,000)	0
Operating Transfers In	0	0	0	34,663	34,663	0
Operating Transfers Out	(389,927)	(389,927)	0	0	0	0
Advances In	0	0	0	2,132	2,132	0
Advances Out	(2,132)	(2,132)	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(361,367)	(361,367)	0	34,845	34,845	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(176,314)	(176,390)	(76)	93,666	93,666	0
Fund Balances at Beginning of Year	1,296,297	1,296,297	0	233,468	233,468	0
Prior Year Encumbrances Appropriated	169,865	169,865	0	5,960	5,960	0
Fund Balances at End of Year	\$1,289,848	\$1,289,772	(\$76)	\$333,094	\$333,094	\$0

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$588,978	\$588,978	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
65,762	65,762	0	6,250,861	6,250,861	0	0	0	0
0	0	0	298,311	298,311	0	209	209	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	1,000	1,000	0
0	0	0	0	0	0	0	0	0
0	0	0	500	500	0	0	0	0
654,740	654,740	0	6,549,672	6,549,672	0	1,209	1,209	0
0	0	0	74,337	74,337	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	3,376	3,376	0
0	0	0	13,988	13,988	0	0	0	0
0	0	0	0	0	0	203	203	0
0	0	0	0	0	0	0	0	0
9,296	9,296	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	19,334	19,334	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	2,429,019	2,429,019	0	0	0	0
4,441,000	4,441,000	0	0	0	0	0	0	0
351,750	351,750	0	0	0	0	0	0	0
4,802,046	4,802,046	0	2,536,678	2,536,678	0	3,579	3,579	0
(4,147,306)	(4,147,306)	0	4,012,994	4,012,994	0	(2,370)	(2,370)	0
4,225,928	4,225,928	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
7,830	7,830	0	0	0	0	0	0	0
4,233,758	4,233,758	0	0	0	0	0	0	0
86,452	86,452	0	4,012,994	4,012,994	0	(2,370)	(2,370)	0
376,956	376,956	0	4,777,101	4,777,101	0	4,505	4,505	0
0	0	0	114,760	114,760	0	0	0	0
\$463,408	\$463,408	\$0	\$8,904,855	\$8,904,855	\$0	\$2,135	\$2,135	\$0

Union Scioto Local School District
Statement of Revenues, Expenses and
Changes in Retained Earnings
Internal Service Fund
For the Fiscal Year Ended June 30, 2001

	<u>Self Insurance</u>
<u>Operating Revenues:</u>	
Charges for Services	<u>\$1,277,495</u>
<u>Operating Expenses:</u>	
Purchased Services	102,146
Claims	<u>1,546,184</u>
Total Operating Expenses	<u>1,648,330</u>
Operating Loss	(370,835)
Operating Transfers In	<u>352,693</u>
Net Loss	(18,142)
Retained Earnings at Beginning of Year	<u>366,940</u>
Retained Earnings at End of Year	<u><u>\$348,798</u></u>

See accompanying notes to the general purpose financial statements

Union Scioto Local School District
Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Internal Service Fund
For the Fiscal Year Ended June 30, 2001

	Self-Insurance Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$13,930	\$13,930	\$0
<u>Expenses:</u>			
Purchased Services	366,623	366,623	0
Excess of Revenues Under Expenses	(352,693)	(352,693)	0
Operating Transfers In	352,693	352,693	0
Excess of Revenues Over Expenses and Transfers	0	0	0
Fund Equity at Beginning of Year	0	0	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Equity at End of Year	\$0	\$0	\$0

See accompanying notes to the general purpose financial statements

Union Scioto Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2001

	<u>Self-Insurance</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Quasi-External Transactions with Other Funds	\$1,277,495
Cash Payments to Suppliers for Goods and Services	(102,146)
Cash Payments for Claims	<u>(1,567,279)</u>
Net Cash Used for Operating Activities	<u>(391,930)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Short-Term Loans to Other Governments	(453,361)
Short-Term Loans from Other Governments	523,746
Operating Transfers In	<u>352,693</u>
Net Cash Provided by Noncapital Financing Activities	<u>423,078</u>
Net Increase in Cash and Cash Equivalents	31,148
Cash and Cash Equivalents at Beginning of Year	<u>52,129</u>
Cash and Cash Equivalents at End of Year	<u><u>\$83,277</u></u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	<u>(\$370,835)</u>
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
<u>Changes in Assets and Liabilities:</u>	
Decrease in Claims Payable	<u>(21,095)</u>
Net Cash Used for Operating Activities	<u><u>(\$391,930)</u></u>

See accompanying notes to the general purpose financial statements

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Union Scioto Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1935 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 80 square miles. It is located in Ross County, and includes all of Union and Scioto Townships. It is staffed by 78 non-certificated employees, 117 certificated full-time teaching personnel and 4 administrative employees who provide services to 1,925 students and other community members. The School District currently operates four instructional buildings, one administrative building, one maintenance building, and one garage.

Reporting Entity:

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

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

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

Parent Teacher Organizations
Athletic and Music Booster Organizations
Ross-Pike Educational Service Center

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (continued)

The School District participates in six organizations, four of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a claims servicing pool. The South Central Ohio Computer Association, Pickaway-Ross County Joint Vocational School, Coalition of Rural and Appalachian Schools, and Great Seal Education Network of Tomorrow are defined as jointly governed organizations. The Ohio School Boards Association Workers' Compensation Group Rating Plan is defined as an insurance purchasing pool. The Ross County School Employees Insurance Consortium is defined as a claims servicing pool. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are the School District's governmental fund types:

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

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

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

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

Proprietary Fund Type:

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

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

Account Groups:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

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

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, taxpayer-assessed income taxes, accounts, and grants.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Self-Insurance Internal Service fund has only the dental insurance portion of the fund budgeted and shown as part of the School District's cash activity; the medical insurance activity is handled by a fiscal agent and is budgeted within the funds paying medical premiums. The primary level of budgetary control is at the fund level. Any budgetary modification at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer. Because the activity of agency funds is not budgeted, transfers-in and transfers-out do not equal on a budgetary basis due to a transfers of \$2,571 made to agency funds from the general fund.

Tax Budget:

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

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001. Before year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, numerous supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed by the Board of Education as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. Prior to year-end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. The balance of the School District's funds held by the fiscal agent at June 30, 2001 is presented as "Cash and Cash Equivalents With Fiscal Agents" on the balance sheet.

During fiscal year 2001, the School District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and repurchase agreements. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposits are reported at cost.

Following Ohio statues, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$155,114, which includes \$119,041 assigned from other School District funds.

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

E. Inventory

Inventories of governmental funds are stated at cost on a first-in, first-out basis. Inventory consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized.

Assets in the general fixed assets account group are not depreciated.

H. Compensated Absences

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

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

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Accrued Liabilities and Long-Term Obligations

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

J. Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. See Note 23 for the calculations of the year-end restricted asset balances and the corresponding fund balance reserves.

L. Fund Balance Reserves

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

M. Estimates

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Total Columns on General Purpose Financial Statements

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented *GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”* and *GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues”*, which changes when the School District reports certain types of revenues. The implementation of these pronouncements resulted in a restatement of beginning fund balance in the General Fund. In addition, the prior year ending balance for the Expendable Trust Fund was misstated, as the balance of this fund was erroneously combined with the Agency Fund balance. These adjustments resulted in the following restatement of beginning fund balances.

	General Fund	Expendable Trust Fund
Fund Balances, June 30, 2000	\$901,597	\$1,867
Cash Adjustment	0	2,638
Implementation of GASB 33 and 36	63,955	0
Restated Fund Balances, June 30, 2000	\$965,552	\$4,505

NOTE 4 - ACCOUNTABILITY

Fund balances at June 30, 2001, included the following individual fund deficits:

Special Revenue Funds:

Food Service	\$9,711
Disadvantaged Pupil Impact Aid	197
Ohio Reads	82
Drug Free Schools	45
Title VI-R	191

Capital Projects Fund:

Interactive Video Distance Learning	11,091
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Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 4 - ACCOUNTABILITY (continued)

The deficits were created by the application of 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. The School District is monitoring the sales in the food services fund to see if an increase in charges is necessary.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. The School District does not budget for the activities of the fiscal agent who collects and holds assets for the payment of medical claims. However, the activities of the fiscal agent are included in the internal service fund for GAAP reporting purposes.
6. Proceeds from bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP Basis)

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$517,395)	\$96,455	\$64,335	\$8,640,095	(\$2,370)
Adjustments:					
Revenue Accruals	25,783	26,598	169,665	(162,722)	0
Expenditure Accruals	432,048	(15,692)	(155,306)	494,965	0
Advances	(2,132)	2,132	0	0	0
Transfers	(2,571)	0	0	0	0
Proceeds from Sale of Bonds	0	0	4,225,928	(4,225,928)	0
Other Financing Sources	0	0	7,830	0	0
Principal Payments	0	0	(4,226,000)	0	0
Encumbrances	(112,123)	(15,827)	0	(733,416)	0
Budget Basis	<u>(\$176,390)</u>	<u>\$93,666</u>	<u>\$86,452</u>	<u>\$4,012,994</u>	<u>(\$2,370)</u>

Net Loss/Excess of Revenues
Over Expenses and Transfers
Internal Service Fund

	Self-Insurance Fund
GAAP Basis	(\$18,142)
Adjustments:	
Expense Accruals	(21,097)
Non-Budgeted Activity	40,239
Encumbrances	(1,000)
Budget Basis	<u>\$0</u>

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

At fiscal year end, the School District had \$1,500 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

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

Deposits At year end, the carrying amount of the School District's deposits was (\$444,451) and the bank balance was \$170,086. Of the bank balance:

1. \$100,238 was covered by federal depository insurance; and
2. \$69,848 was uninsured and uncollateralized. Although all statutory requirements for the deposit of the money had been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

	Category 3	Unclassified	Carrying/Fair Value
STAR Ohio	\$0	\$4,501,231	\$4,501,231
Repurchase Agreement	7,928,482	0	7,928,482
	\$7,928,482	\$4,501,231	\$12,429,713

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

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

	Cash and Cash Equivalents/ Deposits	Investments
<i>GASB Statement No. 9</i>	\$11,986,762	\$0
Cash on Hand	(1,500)	0
Investments:		
STAR Ohio	(4,501,231)	4,501,231
Repurchase Agreement	(7,928,482)	7,928,482
<i>GASB Statement No. 3</i>	(\$444,451)	\$12,429,713

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

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

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

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 7 - PROPERTY TAXES (continued)

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

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$91,889,830	91.49%	\$96,169,420	91.75%
Public Utility	6,640,470	6.61%	6,735,320	6.43%
Tangible Personal Property	1,910,650	1.90%	1,906,860	1.82%
Total Assessed Value	<u>\$100,440,950</u>	<u>100.00%</u>	<u>\$104,811,600</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.92		\$37.92	

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2001 was \$136,207 for the general fund, \$3,394 for the classroom facilities maintenance special revenue fund and \$38,146 in the debt service fund. All amounts are recognized as revenue in their respective funds.

NOTE 8 - INCOME TAX

The School District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 9 - RECEIVABLES

Receivables at June 30, 2001, consisted of property and income taxes, accounts (tuition, charges for services, and student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Special Revenue Funds:	
Martha Holden Jennings	\$3,320
Student Assistance Program	4,000
School Age Childcare Program	6,230
Total Special Revenue Funds	13,550
Capital Projects Funds:	
Classroom Facilities Maintenance	21,406,841
Interactive Video Distance Learning	45,000
Total Capital Projects Funds	21,451,841
Internal Service Fund:	
Short-Term Loans Due From Other Governments	453,361
Total Intergovernmental Receivable	\$21,918,752

The School District was awarded a grant in the amount of \$28,281,910 on August 9, 1999 from the Ohio School Facilities Commission for the construction of new facilities. The grant will be advanced to the School District throughout the construction period and recorded as revenue in the Classroom Facilities Maintenance Capital Projects fund as it becomes available.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 10 - FIXED ASSETS

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

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$452,954	\$125,574	\$0	\$578,528
Buildings and Improvements	6,729,970	0	0	6,729,970
Furniture, Fixtures and Equipment	2,785,084	191,970	115,527	2,861,527
Vehicles	1,476,882	61,388	0	1,538,270
Textbooks	504,048	0	0	504,048
Construction in Progress	0	2,222,564	0	2,222,564
Totals	<u>\$11,948,938</u>	<u>\$2,601,496</u>	<u>\$115,527</u>	<u>\$14,434,907</u>

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by Nationwide Insurance is as follows:

Building and Contents-replacement cost (\$500 deductible)	\$23,545,500
Inland Marine Coverage (\$100 deductible)	84,455
Boiler and Machinery (\$1000 deductible)	10,194,100
Crime Insurance	5,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (no deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 11 - RISK MANAGEMENT (continued)

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of eighteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$187,840 reported in the internal service fund at June 30, 2001 is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30 "Risk Financing Omnibus"*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2000	\$268,217	\$560,736	\$620,018	\$208,935
2001	208,935	1,546,184	1,567,279	187,840

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$53,041, \$56,760, and \$79,996, respectively; 34.20 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$34,902 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$537,017, \$298,464, and \$263,869, respectively; 83.59 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$88,149 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, four of the five board of education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$254,377 for fiscal year 2001.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$146,592.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 14 - 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 ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. An unlimited amount of sick leave may be accumulated for all personnel. Upon retirement, payment is made for one-half of accrued, but unused sick leave credit to a maximum of 180 days for all employees.

B. Life and Accident Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Safeco.

C. Deferred Compensation

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

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In fiscal year 2001, the School District has entered into capitalized leases for furniture, fixtures and equipment. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of furniture, fixtures and equipment have been capitalized in the general fixed assets account group in the amount of \$140,674. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$38,160 in the governmental funds.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	GLTDAG
2002	\$40,262
2003	40,262
2004	28,675
2005	7,234
Total	116,433
Less: Amount Representing Interest	(27,667)
Present Value of Net Minimum Lease Payments	\$88,766

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001, were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
Capital Lease	\$95,951	\$30,975	\$38,160	\$88,766
Energy Conservation Loan 1995 5.72%	280,000	0	50,000	230,000
Permanent Improvement Bond 1995 5.75%	975,000	0	165,000	810,000
School Improvement Bonds 2001 4.4% to 5.5%	0	4,251,477	0	4,251,477
Intergovernmental Payable	91,864	100,391	91,864	100,391
Compensated Absences	1,436,751	1,376,823	1,436,751	1,376,823
Total General Long-Term Obligations	\$2,879,566	\$5,759,666	\$1,781,775	\$6,857,457

Energy Conservation Loan - On May 24, 1995, Union Scioto Local School District issued \$488,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2005. The loan will be retired from the debt service fund.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Union Scioto Junior High School Permanent Improvement Bonds - On January 24, 1995, Union Scioto Local School District issued \$1,635,000 in voted general obligation bonds for the purpose of renovating the junior high school building. The bonds were issued for a ten year period with final maturity at December 1, 2004. The bonds will be retired from the debt service fund.

School Improvement Bonds - On November 14, 2000, the School District issued \$4,225,928 of general obligation bonds for the purpose of constructing a new elementary school building and a new high school building. \$1,545,000 were issued as serial bonds with interest rates ranging from 4.40% - 4.85%. \$2,600,000 were issued as term bonds with an interest rate of 5.50%. \$80,928 were issued as capital appreciation bonds. The bonds were issued for a twenty-three year period, with final maturity December 1, 2022. The bonds will be retired from the debt service fund.

The term bonds maturing on December 1, 2022 (fiscal year 2023) are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the fiscal years and respective principal amounts as follows:

Year	Amount
2014	\$200,000
2015	215,000
2016	225,000
2017	235,000
2018	250,000
2019	265,000
2020	280,000
2021	295,000
2022	310,000
2023	325,000

Term bonds maturing on or after December 1, 2013 are subject to optional redemption, in whole or in part on any date at the option of the issuer on or after December 1, 2010, as follows:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2010 through November 30, 2011	101%
December 1, 2011 and thereafter	100%

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

The serial bonds and capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal years 2011 and 2012. The maturity amount of the bonds is \$400,000. For fiscal year 2001, \$25,549 was accreted on the capital appreciation bonds for a total outstanding bond value for the entire issue of \$4,251,477 at fiscal year end. The final maturity value of the bond issue is \$4,545,000.

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Term Bonds	Serial Bonds	Capital Appreciation Bonds	Interest	Total
2002	\$0	\$100,000	\$0	\$212,628	\$312,628
2003	0	125,000	0	207,646	332,646
2004	0	140,000	0	201,715	341,715
2005	0	145,000	0	195,266	340,266
2006	0	155,000	0	188,403	343,403
2007-2011	0	880,000	200,000	752,534	1,832,534
2012-2016	640,000	0	200,000	1,000,247	1,840,247
2017-2021	1,325,000	0	0	401,500	1,726,500
2022-2023	635,000	0	0	52,800	687,800
Totals	<u>\$2,600,000</u>	<u>\$1,545,000</u>	<u>\$400,000</u>	<u>\$3,212,739</u>	<u>\$7,757,739</u>

Principal and interest requirements to retire the Energy Conservation Loan outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$55,000	\$13,339	\$68,339
2003	55,000	10,149	65,149
2004	60,000	6,978	66,978
2005	60,000	3,480	63,480
Totals	<u>\$230,000</u>	<u>\$33,946</u>	<u>\$263,946</u>

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the Permanent Improvement Bonds outstanding at June 30, 2001, are as follows:

Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$180,000	\$44,450	\$224,450
2003	200,000	32,810	232,810
2004	210,000	20,150	230,150
2005	<u>220,000</u>	<u>6,820</u>	<u>226,820</u>
Totals	<u>\$810,000</u>	<u>\$104,230</u>	<u>\$914,230</u>

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid.

The School District's overall legal debt margin was \$4,901,670, the energy conservation legal debt margin was \$713,304 and the unvoted debt margin was \$104,812 at June 30, 2001.

NOTE 17 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended June 30, 2001 follows:

	<u>Balance</u> <u>June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2001</u>
Permanent Improvement Bond Anticipation Notes 4.9%	\$4,226,000	\$0	\$4,226,000	\$0

The notes were issued on March 8, 2000. The notes were issued for the purpose of constructing a new elementary school building and a new high school building. The note proceeds were received in the classroom facilities capital projects fund. The notes were retired from the issuance of general obligation bonds.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 18 - INTERFUND ACTIVITY

As of June 30, 2001, receivables and payables, which resulted from cash deficits, were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$10,006	\$0
Special Revenue Funds:		
Food Service	0	4,597
Early Childhood Grant	0	5,409
Total Special Revenue Funds	0	10,006
Total All Funds	\$10,006	\$10,006

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was 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. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers plus the fiscal agent. The School District paid SCOCA \$21,701 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Pickaway-Ross County Joint Vocational School - The Pickaway-Ross County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties and the Ross-Pike Educational Service District, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross County Joint Vocational School, Ben VanHorn, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is comprised of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition 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 \$300 to the Coalition for services provided during the year. To obtain financial information write to the Coalition of Rural and Appalachian Schools at McCracken Hall Room 129 Ohio University, Athens, Ohio 45701-2979.

Great Seal Education Network of Tomorrow - The School District is a member of the Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601. The Great Seal Education Network of Tomorrow did not receive any funding from the School District during fiscal year 2001.

NOTE 20 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS

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.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 20 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS (continued)

Ross County School Employees Insurance Consortium - The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool for medical/surgical, dental, and vision insurance and an insurance purchasing pool for life insurance. The consortium consists of eighteen school districts within Ross County and its surrounding area. Medical/surgical and dental is administered through a third party administrator, Professional Risk Management Co. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Westfall Local School District, 19463 Pherson Pike, Williamsport, Ohio 43164-9745.

NOTE 21 - CONSTRUCTION COMMITMENTS

In June, 2001, the School District entered into multiple contracts for the design and construction of a new Middle School to be added onto the existing High School and also a new Elementary School building. The project also includes renovations to the existing High School building. The project is financed by bond proceeds and a school facilities grant in the amount of \$28,281,910 from the state of Ohio. The outstanding construction commitments at June 30, 2001 are:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 6/30/01</u>
Accurate Electric Construction Co.	\$1,420,505	\$0	\$1,420,505
A. I. C. Contracting	545,250	0	545,250
C. & T. Design & Equipment Co., Inc.	234,370	0	234,370
Construction System, Inc.	246,912	0	246,912
Crace Construction Co.	11,147,615	0	11,147,615
Croson / Tepe, Inc.	1,161,900	0	1,161,900
Fayette Fire & Safety Equipment Co.	628,295	0	628,295
Gandee & Assoc	23,700	7,821	15,879
George J. Igel Co.	912,000	617,840	294,160
Keen & Cross, Inc.	15,724	0	15,724
Lepi Enterprises	72,756	0	72,756
Pella Window & Door	150,591	0	150,591
Resun Leasing	407,025	0	407,025
Sauer, Inc	4,734,000	0	4,734,000
SOS Electric	1,695,970	0	1,695,970
Spectrum Control Systems	460,400	0	460,400
Tanner, Stone & Company	1,849,025	1,405,335	443,690
Total All Contractors	<u>\$25,706,038</u>	<u>\$2,030,996</u>	<u>\$23,675,042</u>

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 22 - SUBSEQUENT EVENTS

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 16, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

NOTE 23 - 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 year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Effective April 10, 2001, the School District is no longer required to set aside funds in the budget reserve. The requirement for a budget reserve has been deleted from State law; however, the amount of the reserve attributed to workers' compensation refunds or rebates may be used to offset a future deficit or specific expenditure defined in State law.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 23 - SET-ASIDE CALCULATIONS (continued)

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2000	\$0	\$0	\$188,863
Reduction in Requirement Based on Revised Legislation	0	0	(148,500)
Current Year Set-aside Requirement	217,213	217,213	0
Current Year Offsets	0	0	0
Qualifying Disbursements	<u>(265,588)</u>	<u>(306,216)</u>	<u>0</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$48,375)</u>	<u>\$0</u>	<u>\$40,363</u>
Set-Aside Reserve Balance as of June 30, 2001			<u><u>\$40,363</u></u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount to below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$40,363.

NOTE 24 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

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

Union Scioto Local School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2001

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU 2001	10.553	\$20,905	\$20,905
National School Lunch Program	04-PU 2001	10.555	119,033	119,033
Total U.S. Department of Agriculture			<u>139,938</u>	<u>139,938</u>
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
State Library Program	II-18-01	45.310	9,870	9,870
Title I Grants to Local Educational Agencies	C1-S1 2001	84.010	297,561	299,332
Special Education - Grants to States (IDEA Part B)	6B-SF 2001 P	84.027	78,260	87,487
Safe and Drug-Free Schools and Communities	DR-S1-01	84.186	7,878	7,878
Goals 2000: Improvement Grants	G2-S1 00/01	84.276	35,000	13,622
Eisenhower Professional Development Grant	MS-S1 2001	84.281	7,822	5,909
Innovative Educational Program Strategies	C2-S1 2001	84.298	9,402	8,727
Class Size Reduction	CR-S1 2001	84.340	39,579	48,901
Child Care and Development Block Grant	DC-S1 2000	93.575	2,159	0
Total U.S. Department of Education			<u>487,531</u>	<u>481,726</u>
Total Federal Financial Assistance			<u>\$627,469</u>	<u>\$621,664</u>

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2001, the District received \$8,234 and used \$8,191 in fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. At June 30, 2001 the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

J. L. UHRIG & ASSOCIATES, INC.

Certified Public Accountants

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Chillicothe, OH 45601
(740) 775-8448
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Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Education
Union Scioto Local School District
1432 Egypt Pike Road
Chillicothe, Ohio 45601

We have audited the financial statements of the Union Scioto Local School District (the District), as of and for the year ended June 30, 2001 and have issued our report thereon dated January 16, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated January 16, 2002.

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

J. L. Uhrig & Associates, Inc.

J. L. UHRIG & ASSOCIATES, INC.
Certified Public Accountants

January 16, 2002

**Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control over Compliance in Accordance with
OMB Circular A-133**

Board of Education
Union Scioto Local School District
1432 Egypt Pike Road
Chillicothe, Ohio 45601

Compliance

We have audited the compliance of Union Scioto Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control over Compliance

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

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

Board of Education
Union Scioto Local School District
Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control over Compliance in Accordance with
OMB Circular A-133

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

J. L. Uhrig & Associates, I nc.

J. L. UHRIG & ASSOCIATES, INC.
Certified Public Accountants

January 16, 2002

Union Scioto Local School District
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2001

A. SUMMARY OF AUDITOR'S RESULTS

1. Type of Financial Statement Opinion	Unqualified
2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?	No
4. Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
5. Were there any material internal control weaknesses reported for major federal programs?	No
6. Were there any other reportable internal control weaknesses reported for major federal programs?	No
7. Type of Major Programs' Compliance Opinion	Unqualified
8. Are there any reportable findings under § .510?	No
9. Major Programs (list):	Title I Grants to Local Educational Agencies CFDA #84.010
10. Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Other Programs
11. Low Risk Auditee?	Yes

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

UNION SCIOTO LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 26, 2002**