



*UNION SCIOTO
LOCAL SCHOOL DISTRICT*

ROSS COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2004

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Union Scioto Local School District, Ross County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2003 to June 30, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 7, 2005

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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 governmental activities, each major fund, and the aggregate remaining fund information of Union Scioto Local School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2004, and the respective changes in financial position and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 2, 2005 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. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Board of Education
Union Scioto Local School District
Independent Auditor's Report

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

May 2, 2005

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

The discussion and analysis of the Union Scioto Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

- In total, net assets decreased \$23,620, which represents a 0.09 percent decrease from 2003.
- General revenues accounted for \$12,434,339, or 81.45 percent of all revenues. Program specific revenues in the form of Charges for Services and Sales; Operating Grants, Contributions and Interest; and Capital Grants and Contributions accounted for \$2,831,430 or 18.55 percent of total revenues of \$15,265,769.
- Total assets of governmental activities decreased by \$1,081,961. Of this, capital assets decreased by \$1,219,556 due to depreciation offset by additions of capital assets of \$98,267. Cash and Cash Equivalents increased by \$622,340, due to the School District striving to reduce expenditures, thus increasing the cash balance.
- The School District had \$15,289,389 in expenses related to governmental activities; only \$2,831,430 of these expenses were offset by program specific charges for services, sales, grants, interest, or contributions. General revenues (primarily taxes and grants and entitlements) of \$12,434,339 plus net assets at the beginning of the year of \$26,146,435 provided for these programs.
- The general fund had \$12,746,466 in revenues and \$11,647,531 in expenditures. The general fund's balance increased \$1,098,935 over 2003.

Using the Basic Financial Statements

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

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

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Fund

Proprietary funds use the same basis of accounting as business-type activities. The internal service fund is used to report activities that provide services to the School District's other funds and departments.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Fiduciary Fund

The School District's fiduciary fund is an agency fund. The School District's fiduciary fund is reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in this fund is used for its intended purpose. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

	Table 1 Net Assets	
	2004	Restated 2003
Assets:		
Current and Other Assets	\$7,089,719	\$6,952,124
Capital Assets	29,622,122	30,841,678
Total Assets	36,711,841	37,793,802
Liabilities:		
Long-Term Liabilities	5,817,231	6,271,670
Other Liabilities	4,771,795	5,375,697
Total Liabilities	10,589,026	11,647,367
Net Assets:		
Invested in Capital Assets, Net of Debt	25,481,194	26,290,750
Restricted	1,598,507	1,581,496
Unrestricted (Deficit)	(956,886)	(1,725,811)
Total Net Assets	\$26,122,815	\$26,146,435

Total assets of governmental activities decreased by \$1,081,961 and capital assets decreased by \$1,219,556. Capital assets decreased due to the current year's depreciation expense. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, increased by \$768,925. This was caused, in part, by the School District accepting open enrollment students for the first time in fiscal year 2004. The School District is monitoring its spending and researching ways to generate additional revenues to help alleviate the deficit unrestricted net assets. Restricted net assets, the part of net assets that must be used according

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

to legal requirements or by grant restrictions, of the School District increased by \$17,011. The addition of set-asides for Textbooks and Instructional Materials and for Capital Improvements added to this increase.

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the changes in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: program revenues and general revenues. Program revenues are defined as fees, restricted grants and interest, and charges for services. General revenues include taxes and unrestricted grants, such as State foundation support.

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

Table 2
Changes in Net Assets

	2004	2003
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,166,157	\$565,547
Operating Grants, Contributions and Interest	1,610,198	1,858,561
Capital Grants and Contributions	55,075	22,315
Total Program Revenues	2,831,430	2,446,423
General Revenues:		
Income Taxes	778,550	752,292
Property Taxes	3,058,212	2,902,610
Grants and Entitlements not Restricted to		
Specific Programs	8,533,007	7,492,706
Contributions and Donations	12,000	19,500
Investment Earnings	11,576	90,314
Miscellaneous	40,994	97,281
Total General Revenues	12,434,339	11,354,703
Total Revenues	\$15,265,769	\$13,801,126

(continued)

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Table 2
Changes in Net Assets
(Continued)

	2004	2003
Program Expenses		
Instruction:		
Regular	\$7,589,616	\$10,625,099
Special	1,245,686	1,036,016
Vocational	23,613	16,902
Adult/Continuing	0	3,024
Support Services:		
Pupils	465,480	540,421
Instructional Staff	608,413	982,361
Board of Education	1,041,666	476,321
Administration	924,646	1,047,241
Fiscal	331,492	305,164
Operation and Maintenance of Plant	1,161,832	1,360,008
Pupil Transportation	724,617	830,286
Central	23,000	102,953
Operation of Non-Instructional Services	643,876	560,133
Extracurricular Activities	262,557	297,636
Interest and Fiscal Charges	242,895	265,912
Total Expenses	15,289,389	18,449,477
Decrease in Net Assets	(23,620)	(4,648,351)
Beginning Net Assets	26,146,435	30,794,786
Ending Net Assets	\$26,122,815	\$26,146,435

Governmental Activities

General revenues accounted for \$12,434,339, or 81.45 percent of all revenues. Program specific revenues in the form of Charges for Services and Sales; Operating Grants, Contributions and Interest; and Capital Grants and Contributions accounted for \$2,831,430 or 18.55 percent of total revenues of \$15,265,769.

Grants and entitlements not restricted to specific programs made up 55.9 percent of total revenue for governmental activities of the Union Scioto Local District.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for School District operations. Property taxes made up 20.03 percent of revenues for governmental activities for the Union Scioto Local School District for fiscal year 2004.

Instruction comprises 57.94 percent of School District expenses. Support Services make up 34.54 percent of the total expenses. Instruction and Support Services costs decreased in fiscal year 2004 by \$2,822,126 and \$363,609, respectively, from the prior year. These decreases were due, in part, to a freeze on salaries and the elimination of three teaching positions through attrition. Also, supplemental contracts were reduced by one in each category (e.g., boy's basketball coach, senior class advisor, etc.). Additional savings in benefit expenses resulted from the School District changing its prescription benefits from Parmacare, a stand-alone service fully funded by the School District, to including the prescription services

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

through the Ross County School Employees Insurance Consortium. This alone resulted in savings of over \$344,000 from the prior year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations and interest.

Table 3
Governmental Activities

	Total Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2004	Net Cost of Services 2003
Instruction	\$8,858,915	\$11,681,041	\$6,923,977	\$10,666,744
Support Services	5,281,146	5,644,755	5,137,348	4,861,501
Operation of Non- Instructional Services	643,876	560,133	22,945	39,018
Extracurricular Activities	262,557	297,636	130,794	169,879
Interest and Fiscal Charges	242,895	265,912	242,895	265,912
Total Expenses	\$15,289,389	\$18,449,477	\$12,457,959	\$16,003,054

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil. The costs of items purchased for the new school buildings that didn't meet the \$5,000 threshold for capitalization are included in this category for fiscal year 2003.

Support Services, for which the total cost of services decreased by \$363,609 over the prior year, consists of several function categories as follows:

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration and fiscal includes expenses associated with administrative and financial supervision of the School District.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Extracurricular activities includes expense related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

The dependence upon tax revenues is apparent. Instruction activities are supported through taxes and other general revenues by 78.2 percent; for all activities general revenue support is 81.5 percent.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,602,312 and expenditures of \$14,445,133. The net changes in fund balances for the year in the General Fund and the Bond Retirement Fund were \$1,098,935 and \$141,434, respectively.

The net change in fund balance was caused in the General Fund by decreases in expenditures. As stated earlier, the School District is monitoring its spending and researching ways to generate additional revenues to help alleviate the deficit unrestricted net assets. The increase of nearly \$1.1 million in the General Fund balance indicates that we are achieving our goal.

The Bond Retirement Fund decreased expenditures for bond principal and interest over the prior year.

General Fund Budgeting Highlights

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

At the end of fiscal year 2004, the School District amended its General Fund budget, (and all other funds' budgets) so that the final appropriations equaled actual expenditures for the fiscal year. This resulted in the General Fund's final appropriations, including transfers, increasing \$170,940 over the original appropriations, a 1.42 percent increase.

For the General Fund, the budget basis revenues differed from the original budgeted estimates of \$11,384,710 by \$1,276,087 to \$12,660,797.

For fiscal year 2004, the School District filed an amended certificate of estimated revenues which had estimated revenues equaling actual revenues. In the General Fund, the School District budgeted intergovernmental revenues at \$7,980,799, and received \$8,807,224. Actual intergovernmental revenues were greater than the original budget for the fiscal year by \$826,425. The majority of the difference was due to an increase of foundation monies received by the School District in the fiscal year 2004.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Capital Assets

At the end of the fiscal year 2004, the School District had \$29,622,122 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, vehicles, and textbooks and instructional media.

Table 4 shows fiscal year 2004 balances compared to fiscal year 2003.

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

	2004	Restated 2003
Land	\$444,360	\$444,360
Land Improvements	1,040,040	1,074,927
Buildings and Improvements	26,732,962	27,720,281
Furniture, Fixtures and Equipment	636,777	703,730
Vehicles	362,886	403,262
Textbooks and Instructional Media	405,097	495,118
Totals	\$29,622,122	\$30,841,678

Overall, capital assets decreased \$1,219,556 from fiscal year 2003 to fiscal year 2004. The addition of capital assets (land improvements, furniture, fixtures, and equipment, and vehicles) of \$98,267 was offset by depreciation expense of \$1,317,823 for the year. See Note 10 to the basic financial statements for more detailed information.

Debt Administration

At June 30, 2004, the School District had \$4,183,976 in total outstanding debt of bonds and loans. This figure includes premium amortization and accretion on capital appreciation bonds. At June 30, 2004, the School District's overall legal debt margin was \$8,014,576, the energy conservation loan debt margin was \$1,087,447, and the unvoted debt margin was \$127,494. Table 5 summarizes the debt outstanding at fiscal year-end.

Table 5
 Outstanding Debt, at June 30,

	2004	Restated 2003
General Obligation Bonds	\$4,123,976	\$4,457,986
Energy Conservation Loan	60,000	120,000
Totals	\$4,183,976	\$4,577,986

For more information on debt administration, refer to Note 16 of the notes to the basic financial statements.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Current Financial Issues and Concerns

The Board of Education and the administration of the School District places a strong emphasis on academic programs. The School District offers a wide range of learning opportunities and every effort is made to assure that each student is provided the best education possible within the limits of the School District's resources.

The School District features a traditional child centered curriculum with emphasis on basic studies. A well trained staff stresses "hands on" learning activities through up-to-date instructional practices. Special programs are available to serve the educationally disadvantaged. In addition, a variety of classroom or building enrichment activities are offered. The academic program includes diversified high school course selections, career education, and vocal and instrumental music programs. Co-curricular activities appropriate to age and grade level are available to complement the curricular program.

The School District adopted an open enrollment policy for fiscal year 2004, whereby they are accepting students from other districts. By doing so, this resulted in the School District decreasing their loss from Union Scioto students going to other school districts by \$690,000.

With the completion of the Ohio School Facilities Commission project, the School District's facilities are in excellent physical condition and allow the Board of Education and administration to provide a safe and pleasant environment for students to...believe, achieve and succeed.

On March 2, 2004, the voters of the School District approved the renewal of a one-half percent tax on the income of residents and of estates within the School District. This levy began January, 2005 and will continue for five years.

The School District also has a considerable amount of State tax-exempt property and has pursued this issue with the assistance of the County Auditor. Their efforts prevailed and the School District began receiving an additional allowance in State funding in fiscal year 2005.

Due to increasing health care costs, the School District has switched the exempt and certified staff from a traditional health insurance to a preferred provider organization. This insurance coverage is handled through the Ross County School Employees Insurance Consortium, the School District's claims servicing pool. The School District was successful in negotiating this switch with the classified staff as well. This change became effective on May 1, 2004. These changes in coverage will help the School District control their health care costs.

In conclusion, the Union Scioto Local School District has committed itself to financial excellence. The School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future and to provide the best educational opportunities to its children.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Kristin Rhoads, Treasurer, at Union Scioto Local School District, 1559 Egypt Pike, Chillicothe, Ohio 45601 or e-mail at krhoads@mail.gsn.k12.oh.us.

Union Scioto Local School District
Statement of Net Assets
June 30, 2004

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,067,689
Cash and Cash Equivalents With Fiscal Agent	210,144
Materials and Supplies Inventory	13,561
Accounts Receivable	2,302
Intergovernmental Receivable	600,510
Prepaid Items	30,568
Taxes Receivable	2,824,880
Income Taxes Receivable	340,065
Capital Assets:	
Land	444,360
Depreciable Capital Assets, Net	29,177,762
 <i>Total Assets</i>	 36,711,841
<u>Liabilities:</u>	
Accounts Payable	92,042
Accrued Wages and Benefits Payable	1,326,540
Intergovernmental Payable	327,219
Accrued Interest Payable	17,131
Personal Leave Balance Payable	18,676
Matured Compensated Absences Payable	310,715
Deferred Revenue	2,467,396
Claims Payable	212,076
Long-Term Liabilities:	
Due Within One Year	571,493
Due Within More Than One Year	5,245,738
 <i>Total Liabilities</i>	 10,589,026
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	25,481,194
Restricted for:	
Debt Service	654,417
Capital Projects	395,458
Other Purposes	302,473
Set Asides	246,159
Unrestricted (Deficit)	(956,886)
 <i>Total Net Assets</i>	 \$26,122,815

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$7,589,616	\$678,017	\$171,018	\$42,075	(\$6,698,506)
Special	1,245,686	0	1,043,828	0	(201,858)
Vocational	23,613	0	0	0	(23,613)
Support Services:					
Pupils	465,480	0	9,784	0	(455,696)
Instructional Staff	608,413	0	22,709	0	(585,704)
Board of Education	1,041,666	5,285	0	0	(1,036,381)
Administration	924,646	47,575	10,274	0	(866,797)
Fiscal	331,492	0	0	0	(331,492)
Operation and Maintenance of Plant	1,161,832	70	5,000	13,000	(1,143,762)
Pupil Transportation	724,617	0	21,101	0	(703,516)
Central	23,000	0	9,000	0	(14,000)
Operation of Non-Instructional Services:					
Food Services	641,796	324,181	296,750	0	(20,865)
Other	2,080	0	0	0	(2,080)
Extracurricular Activities	262,557	111,029	20,734	0	(130,794)
Interest and Fiscal Charges	242,895	0	0	0	(242,895)
Total Governmental Activities	\$15,289,389	\$1,166,157	\$1,610,198	\$55,075	(12,457,959)
General Revenues					
					778,550
Income Taxes					
Property Taxes Levied for:					
General Purposes					2,433,144
Debt Service					572,227
Capital Outlay					52,841
Grants and Entitlements not Restricted to Specific Programs					8,533,007
Contributions and Donations					12,000
Investment Earnings					11,576
Miscellaneous					40,994
Total General Revenues					12,434,339
Change in Net Assets					(23,620)
<i>Net Assets Beginning of Year - See Note 3</i>					26,146,435
<i>Net Assets End of Year</i>					26,122,815

See accompanying notes to the basic financial statements

Union Scioto Local School District

Balance Sheet
Governmental Funds
June 30, 2004

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,413,268	\$612,439	\$694,210	\$2,719,917
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	301,158	0	0	301,158
Receivables:				
Property Taxes	2,391,734	382,416	50,730	2,824,880
Income Taxes	340,065	0	0	340,065
Intergovernmental	0	0	214,591	214,591
Accounts	2,302	0	0	2,302
Interfund	116,362	0	0	116,362
Prepaid Items	30,568	0	0	30,568
Materials and Supplies Inventory	0	0	13,561	13,561
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$4,595,457</u>	<u>\$994,855</u>	<u>\$973,092</u>	<u>\$6,563,404</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$83,886	\$0	\$8,156	\$92,042
Accrued Wages and Benefits Payable	1,205,890	0	120,650	1,326,540
Intergovernmental Payable	200,687	0	17,140	217,827
Interfund Payable	0	0	116,362	116,362
Personal Leave Balances Payable	17,037	0	1,639	18,676
Matured Compensated Absences Payable	310,715	0	0	310,715
Deferred Revenue	2,195,080	330,776	103,702	2,629,558
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	<u>4,013,295</u>	<u>330,776</u>	<u>367,649</u>	<u>4,711,720</u>
<u>Fund Balances:</u>				
Reserved for Encumbrances	285,543	0	8,063	293,606
Reserved for Property Taxes	252,640	51,640	5,519	309,799
Reserved for Textbooks and Instructional Materials	98,409	0	0	98,409
Reserved for Capital Improvements	147,750	0	0	147,750
Reserved for Bus Purchases	50,993	0	0	50,993
Reserved for Unclaimed Monies	4,006	0	0	4,006
Unreserved, Undesignated (Deficit), Reported in:				
General Fund	(257,179)	0	0	(257,179)
Special Revenue Funds	0	0	247,396	247,396
Debt Service Fund	0	612,439	0	612,439
Capital Projects Funds	0	0	344,465	344,465
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>582,162</u>	<u>664,079</u>	<u>605,443</u>	<u>1,851,684</u>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,595,457</u>	<u>\$994,855</u>	<u>\$973,092</u>	<u>\$6,563,404</u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004

Total Governmental Fund Balances \$1,851,684

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	444,360	
Other capital assets	36,397,700	
Accumulated depreciation	(7,219,938)	
Total capital assets	29,622,122	29,622,122

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	47,685	
Income taxes	55,986	
Intergovernmental	58,491	
	162,162	162,162

The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 430,601

Intergovernmental Payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds. (109,392)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(4,080,928)	
Energy Conservation Loan payable	(60,000)	
Accretion on bonds	(43,048)	
Accrued interest on bonds	(17,131)	
Compensated absences	(1,633,255)	
Total liabilities	(5,834,362)	(5,834,362)

Net Assets of Governmental Activities \$26,122,815

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$2,433,574	\$573,049	\$52,852	\$3,059,475
Income Taxes	775,321	0	0	775,321
Intergovernmental	8,807,224	63,191	1,617,770	10,488,185
Interest	10,860	0	716	11,576
Tuition and Fees	678,017	0	0	678,017
Rent	70	0	0	70
Extracurricular Activities	0	0	158,604	158,604
Contributions and Donations	16,000	0	44,604	60,604
Customer Sales and Services	5,285	0	324,181	329,466
Miscellaneous	20,115	0	20,879	40,994
Total Revenues	12,746,466	636,240	2,219,606	15,602,312
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,905,742	0	225,022	6,130,764
Special	663,290	0	586,378	1,249,668
Vocational	22,315	0	0	22,315
Support Services:				
Pupils	444,850	0	11,284	456,134
Instructional Staff	494,293	0	40,061	534,354
Board of Education	1,043,792	0	1,611	1,045,403
Administration	772,302	0	155,834	928,136
Fiscal	317,714	11,268	1,174	330,156
Operation and Maintenance of Plant	1,153,736	0	7,387	1,161,123
Pupil Transportation	649,157	0	0	649,157
Central	0	0	23,000	23,000
Operation of Non-Instructional Services:				
Food Service Operations	6,527	0	606,703	613,230
Extracurricular Activities	117,976	0	123,420	241,396
Capital Outlay	55,837	0	365,616	421,453
Debt Service:				
Principal Retirement	0	410,000	0	410,000
Interest and Fiscal Charges	0	228,844	0	228,844
Total Expenditures	11,647,531	650,112	2,147,490	14,445,133
Excess of Revenues Over (Under) Expenditures	1,098,935	(13,872)	72,116	1,157,179
<u>Other Financing Sources (Uses):</u>				
Transfers-In	0	155,306	0	155,306
Transfers-Out	0	0	(155,306)	(155,306)
Total Other Financing Sources (Uses)	0	155,306	(155,306)	0
Net Change in Fund Balances	1,098,935	141,434	(83,190)	1,157,179
Fund Balances (Deficit) at Beginning of Year - Restated (Note 3)	(516,773)	522,645	688,633	694,505
Fund Balances at End of Year	\$582,162	\$664,079	\$605,443	\$1,851,684

See accompanying notes to the basic financial statements

Union Scioto Local School District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$1,157,179

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	98,267	
Depreciation expense	(1,317,823)	
Excess of capital outlay over depreciation expense		(1,219,556)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	3,229	
Income taxes	(1,263)	
Intergovernmental	(338,509)	
Total (increase)/decrease		(336,543)

The internal service fund used by management to charge the cost of insurance to individual funds is reported in the entity-wide statements of activities. (84,876)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	350,000	
Energy Conservation Loan principal retirement	60,000	
Total long-term debt repayment		410,000

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

Decrease in compensated absences payable	60,429	
Decrease in accrued interest	1,939	
Decrease in intergovernmental payable	3,798	
Accretion on bonds	(15,990)	
Total (increase)/decrease		50,176

Change in Net Assets of Governmental Activities (\$23,620)

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		Actual	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$2,507,349	\$2,373,408	\$2,373,408	\$0
Income Taxes	778,105	753,255	753,255	0
Intergovernmental	7,980,799	8,807,224	8,807,224	0
Interest	24,632	10,860	10,860	0
Tuition and Fees	59,380	678,017	678,017	0
Rent	80	70	70	0
Contributions and Donations	12,000	16,000	16,000	0
Customer Sales and Service	2,389	5,285	5,285	0
Miscellaneous	19,976	16,678	16,678	0
<i>Total Revenues</i>	<u>11,384,710</u>	<u>12,660,797</u>	<u>12,660,797</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,861,659	5,995,580	5,995,580	0
Special	625,333	655,709	655,709	0
Vocational	16,559	22,041	22,041	0
Support Services:				
Pupils	338,874	401,419	401,419	0
Instructional Staff	402,015	472,800	472,800	0
Board of Education	599,268	1,243,330	1,243,330	0
Administration	776,410	800,742	800,742	0
Fiscal	319,298	330,812	330,812	0
Operation and Maintenance of Plant	1,294,085	1,264,302	1,264,302	0
Pupil Transportation	707,315	666,120	666,120	0
Extracurricular Activities	165,015	118,224	118,224	0
Capital Outlay	0	55,837	55,837	0
<i>Total Expenditures</i>	<u>11,105,831</u>	<u>12,026,916</u>	<u>12,026,916</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>278,879</u>	<u>633,881</u>	<u>633,881</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Fixed Assets	10,948	620	620	0
Refund of Prior Year Expenditures	185	515	515	0
Transfers Out	(876,679)	(126,534)	(126,534)	0
Advances In	0	76,659	76,659	0
Advances Out	0	(110,953)	(110,953)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(865,546)</u>	<u>(159,693)</u>	<u>(159,693)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(586,667)	474,188	474,188	0
<i>Fund Balance at Beginning of Year</i>	611,898	611,898	611,898	0
<i>Prior Year Encumbrances Appropriated</i>	<u>260,037</u>	<u>260,037</u>	<u>260,037</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$285,268</u>	<u>\$1,346,123</u>	<u>\$1,346,123</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2004

	<u>Self-Insurance</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$46,614
Cash and Cash Equivalents with Fiscal Agent	210,144
Receivables: Intergovernmental	385,919
<i>Total Assets</i>	642,677
<u>Liabilities:</u>	
Claims Payable	212,076
<u>Net Assets:</u>	
Unrestricted	\$430,601

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	Self-Insurance
<u>Operating Revenues:</u>	
Charges for Services	\$1,856,022
<u>Operating Expenses:</u>	
Purchased Services	131,952
Claims	1,808,946
<i>Total Operating Expenses</i>	1,940,898
<i>Change in Net Assets</i>	(84,876)
<i>Net Assets at Beginning of Year</i>	515,477
<i>Net Assets at End of Year</i>	\$430,601

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	<u>Self-Insurance</u>
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>	
<u>Cash Flows from Operating Activities:</u>	
Receipts from Interfund Services Provided	\$1,856,022
Cash Payments to Suppliers for Goods and Services	(131,952)
Cash Payments for Claims	(1,740,903)
Net Cash Used for Operating Activities	(16,833)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Repayment of Loans from Other Governments	325,081
Short-Term Loans to Other Governments	(385,919)
Net Cash Used for Noncapital Financing Activities	(60,838)
Decrease in Cash and Cash Equivalents	(77,671)
Cash and Cash Equivalents at Beginning of Year	334,429
Cash and Cash Equivalents at End of Year	\$256,758
<i>Reconciliation of Operating Loss to Net Cash</i>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$84,876)
<i>Adjustments to Reconcile Operating Loss to</i>	
<u>Net Cash Used for Operating Activities:</u>	
Increase in Claims Payable	68,043
Net Cash Used for Operating Activities	(\$16,833)

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2004

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$72,581</u></u>
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Liabilities:

Undistributed Monies	<u><u>\$72,581</u></u>
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See accompanying notes to the basic financial statements

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 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 84 non-certificated employees, 115 certificated full-time teaching personnel, and 16 administrative employees who provide services to 1,864 students and other community members. The School District currently operates two instructional buildings, one administrative building, one maintenance building, and a bus 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. The School District has no component units.

The School District participates in eight organizations, five of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a claims servicing pool. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross County Career and Technology Center, the Great Seal Education Network of Tomorrow, the Coalition of Rural and Appalachian Schools, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, the Ohio School Plan, and the Ross County School Employees Insurance Consortium. These organizations are presented in Notes 18, 19 and 20 to the basic 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 governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

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

Fund Financial Statements

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Governmental Funds:

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

The following are the School District's major governmental funds:

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. 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.

Bond Retirement Fund – To account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

Proprietary Fund:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District. The School District's internal service fund is used to account for the medical, surgical and dental benefits provided to employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

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

C. Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the *Statement of Net Assets*. The *Statement of Activities* presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Non-exchange Transactions

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

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 taxes 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Cash and Cash Equivalents

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

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 claims administrator and the fiscal agent at June 30, 2004, is presented as "Cash and Cash Equivalents with Fiscal Agent" on the balance sheet.

During fiscal year 2004, investments were limited to repurchase agreements and certificates of deposit, which are reported at cost, and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$10,860, which includes \$2,126 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be Cash and Cash Equivalents.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required to be set-aside by the School District for the purchase of textbooks and instructional materials and capital acquisitions, unspent grant revenues restricted for the purchase of buses, and unclaimed monies held to be reclaimed by its rightful owner.

G. Inventory

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

I. Capital Assets

All capital assets of the School District are general capital assets associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures, Equipment, Textbooks and Educational Media	5 - 20 years
Vehicles	8 - 10 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

K. Compensated Absences

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees have accumulated leave are paid. The non-current portion of the liability is not reported.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the fund financial statements.

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

M. Fund Equity Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Net Assets

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

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

O. Interfund Transactions

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

P. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported in the final column of the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations. Prior to year-end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.

Q. 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.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCE/NET ASSETS

For fiscal year 2004 the School District has implemented GASB Statement No. 39, “*Determining Whether Certain Organizations are Component Units*”. This Statement further defines the guidelines of GASB Statement No. 14, “*The Financial Reporting Entity*”. The implementation of this new statement had no effect on the School District’s financial statements for fiscal year 2004.

For fiscal year 2004, the School District changed its method of calculating compensated absences from the vesting method to the termination method. It was also discovered that all of the leases that were classified as capital leases in the past are actually operating leases. These changes and corrections resulted in the following restatement of fund balance/net assets:

	General Fund	Governmental Activities
Fund Balance (Deficit), June 30, 2003, as reported	(\$196,416)	
Restatement of Matured Compensated Absences	(320,357)	
Adjusted Fund Balances (Deficit), June 30, 2003	(\$516,773)	
Governmental Activities Net Assets, June 30, 2003		\$26,723,528
Restatement of Compensated Absences		(626,707)
Restatement of Capital Leases		171,130
Restatement of Capital Assets		(121,516)
Adjusted Governmental Activities Net Assets, June 30, 2003		\$26,146,435

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 4 – ACCOUNTABILITY

At June 30, 2004, the Food Service, Title I, Early Childhood Grant, and Title VI-R Special Revenue Funds had deficit fund balances of \$20,459, \$24,949, \$5,409, and \$15,303, respectively. These deficit balances are the result of the application of generally accepted accounting principles and do not exist on the cash basis. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) – for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP 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 (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
	General
GAAP Basis	\$1,098,935
Adjustments:	
Revenue Accruals	(84,534)
Expenditure Accruals	(10,982)
Transfers	(126,534)
Advances	(34,294)
Encumbrances	(368,403)
Budget Basis	\$474,188

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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Interim monies 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. Bonds and other obligations of the State of Ohio;

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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);
7. Certain bankers' acceptance 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.

Cash on Hand: At fiscal year-end, the School District had \$2,500 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 fiscal year-end, the carrying amount of the School District's deposits was \$1,062,442 and the bank balance was \$1,213,430. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,113,430 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name.

	Category 3	Unclassified	Carrying and Fair Value
STAROhio	\$0	\$2,242	\$2,242
Repurchase Agreements	2,283,230	0	2,283,230
Totals	\$2,283,230	\$2,242	\$2,285,472

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."* A reconciliation between the classifications of cash and cash equivalents and investments on the basic 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
GASB Statement No. 9	\$3,350,414	\$0
Cash on Hand	(2,500)	0
Investments:		
STAROhio	(2,242)	2,242
Repurchase Agreements	(2,283,230)	2,283,230
GASB Statement No. 3	\$1,062,442	\$2,285,472

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 (used in business) located in the School District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 7 - PROPERTY TAXES (continued)

Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-three percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$252,640 in the General Fund, \$51,640 in the Bond Retirement Debt Service Fund and \$5,519 in the Other Governmental Funds. The amount available as an advance at June 30, 2003, was \$192,474 in the General Fund, \$43,203 in the Bond Retirement Debt Service Fund and \$4,224 in Other Governmental Funds.

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$114,817,950	92.93%	\$118,593,420	93.02%
Public Utility	6,565,880	5.31%	6,758,870	5.30%
Tangible Personal Property	2,177,630	1.76%	2,141,850	1.68%
Total Assessed Value	\$123,561,460	100.00%	\$127,494,140	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$36.80		 \$36.40	

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.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2004, consisted of property and income taxes, accounts (tuition and student fees), interfund, and intergovernmental grants. The Self-Insurance Internal Service Fund intergovernmental receivable consists of claims payments made on behalf of other members of the Ross County Insurance Consortium using surplus monies of the School District. The School District believes that all receivables, except for the Internal Service Fund receivables, are considered fully collectible within one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Internal Service receivables are considered to be fully collectible, although the total amount may not be received within one year.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 9 – RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Food Services	\$4,081
Athletics	578
Student Intervention	28,721
Title I	181,211
Short-Term Loans to Other Governments	<u>385,919</u>
Total Governmental Activities	<u>\$600,510</u>

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance at 6/30/03	Additions	Deletions	Balance at 6/30/04
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$444,360	\$0	\$0	\$444,360
Capital Assets Being Depreciated:				
Land Improvements	1,342,156	22,892	0	1,365,048
Buildings and Improvements	32,156,396	0	0	32,156,396
Furniture, Fixtures and Equipment	841,120	5,295	0	846,415
Vehicles	1,419,632	70,080	0	1,489,712
Textbooks and Educational Media	540,129	0	0	540,129
Totals at Historical Cost	36,299,433	98,267	0	36,397,700
Less Accumulated Depreciation:				
Land Improvements	(267,229)	(57,779)	0	(325,008)
Buildings and Improvements	(4,436,115)	(987,319)	0	(5,423,434)
Furniture, Fixtures and Equipment	(137,390)	(72,248)	0	(209,638)
Vehicles	(1,016,370)	(110,456)	0	(1,126,826)
Textbooks and Educational Media	(45,011)	(90,021)	0	(135,032)
Total Accumulated Depreciation	(5,902,115)	(1,317,823) *	0	(7,219,938)
Total Capital Assets Being Depreciated, Net	30,397,318	(1,219,556)	0	29,177,762
Governmental Activities Capital Assets, Net	\$30,841,678	(\$1,219,556)	\$0	\$29,622,122

* Depreciation expense was charged to governmental functions as follows:

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 10 - CAPITAL ASSETS (continued)

Instruction:	
Regular	\$1,087,092
Special	844
Support Services:	
Pupils	5,499
Instructional Staff	54,897
Administration	133
Fiscal	17,413
Operation and Maintenance of Plant	1,074
Pupil Transportation	115,439
Operation of Non-Instructional Services:	
Food Service	18,351
Extracurricular Activities	17,081
Total Depreciation Expense	<u><u>\$1,317,823</u></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 2004, the School District contracted with Indiana Insurance for building and contents and fleet insurance.

Insurance coverage provided includes the following:

Building and Contents replacement cost (\$2,500 deductible)	\$28,260,764
Inland Marine Coverage (\$250 deductible)	100,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000

During fiscal year 2004, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 19).

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 11 - RISK MANAGEMENT (continued)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Bodily Injury and Property Damage - Each Occurrence Limit and Sexual Abuse Injury - Each Sexual Abuse Offense Limit	\$1,000,000
Personal and Advertising Injury - Each Offense Limit	1,000,000
Fire Damage - Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Medical Expense - Each Accident Limit	10,000
General Aggregate Limit	3,000,000
Products - Completed Operations Limit	1,000,000
Employee Benefits Liability Endorsement:	
Employee Benefits Injury - Each Offense Limit	1,000,000
Employee Benefits Injury - Aggregate Limit	3,000,000
Employer's Liability and Stop Gap Endorsement:	
Bodily Injury by Accident - Each Accident Limit	1,000,000
Bodily Injury by Disease - Endorsement Limit	1,000,000
Bodily Injury by Disease - Each Employee Limit	1,000,000
Educational Legal Liability Coverage (\$2,500 deductible):	
Errors and Omissions Injury Limit	2,000,000
Errors and Omissions Injury Aggregate Limit	2,000,000
Employment Practices Injury Limit	2,000,000
Employment Practices Injury Aggregate Limit	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been a significant decrease in insurance coverage from the prior fiscal year due to the elimination of builders' risk insurance once the School District's construction project was complete.

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). 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. Each year, the School District pays an enrollment fee to the GRP to cover costs of administering the program.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 11 - RISK MANAGEMENT (continued)

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 sixteen 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 \$212,076 reported in the internal service fund at June 30, 2004, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* 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:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2003	\$201,237	\$1,652,049	\$1,709,253	\$144,033
2004	144,033	1,808,946	1,740,903	212,076

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, 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, 2004, 2003, and 2002 were \$152,466, \$157,165, and \$58,343, respectively; 45.15 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$83,633 represents the unpaid contribution for fiscal year 2004.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$729,815, \$779,912, and \$519,912, respectively; 82.24 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$1,947 made by the School District and \$1,934 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2004, one coach has elected Social Security. The School District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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.

STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$56,140 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 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.

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$105,875.

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, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators 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.

All certificated and classified employees who work 12 months and all administrators earn sick leave at the rate of one and one-half days per month, while all other employees earn 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 payment of 180 days for all classified employees, 184 days for all teachers, and the entire balance of the Treasurer.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the U.S. Life Insurance Co.

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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 15 – OPERATING LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into several non-cancelable operating leases for the use of copiers and other office equipment. Operating lease payments are reported as function expenditures in governmental funds and on budgetary statements. Total operating lease payments in fiscal year 2004 totaled \$50,873 in the General Fund.

The following is a schedule of the future minimum operating lease payments:

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2005	\$39,423
2006	39,228
2007	29,132
2008	<u>13,248</u>
Present Value of Net Minimum Lease Payments	<u>\$121,031</u>

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2004 were as follows:

	<u>Restated Amount Outstanding 6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/04</u>	<u>Amounts Due in One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds:					
1995 Permanent Improvement Bonds - 5.75%	\$430,000	\$0	\$210,000	\$220,000	\$220,000
2000 School Improvement Bonds - 4.4% to 5.5%					
Term Bonds	2,600,000	0	0	2,600,000	0
Serial Bonds	1,320,000	0	140,000	1,180,000	145,000
Capital Appreciation Bonds	80,928	0	0	80,928	0
Accretion on Cap. Apprec.	27,058	15,990	0	43,048	0
1995 Energy Conservation Loan - 5.72%	120,000	0	60,000	60,000	60,000
Compensated Absences	1,693,684	97,063	157,492	1,633,255	146,493
Total Governmental Activities Long-Term Obligations	<u>\$6,271,670</u>	<u>\$113,053</u>	<u>\$567,492</u>	<u>\$5,817,231</u>	<u>\$571,493</u>

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

1995 Permanent Improvement Bonds - On January 24, 1995, the 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 Bond Retirement Debt Service Fund.

Principal and interest requirements to retire the Permanent Improvement Bonds outstanding at June 30, 2004, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2005	<u>\$220,000</u>	<u>\$6,820</u>	<u>\$226,820</u>

2000 School Improvement Bonds – On November 14, 2000, the School District issued \$4,225,928 of voted general obligation bonds for purpose of constructing a new elementary school building and a new high school building. \$1,545,000 was issued as serial bonds with interest rates ranging from 4.4% to 4.85%. \$2,600,000 was issued as term bonds with an interest rate of 5.5%. \$80,928 was 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 Bond Retirement 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 Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 2004, \$15,990 was accreted on the capital appreciation bonds for a total outstanding bond value for the entire issue of \$3,903,976 at fiscal year-end.

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30,	Term Bonds	Serial Bonds	Capital Appreciation Bonds	Interest	Total
2005	\$0	\$145,000	\$0	\$195,266	\$340,266
2006	0	155,000	0	188,403	343,403
2007	0	160,000	0	181,118	341,118
2008	0	170,000	0	173,403	343,403
2009	0	175,000	0	165,251	340,251
2010-2014	200,000	375,000	80,928	1,046,835	1,702,763
2015-2019	1,190,000	0	0	503,252	1,693,252
2020-2023	1,210,000	0	0	137,226	1,347,226
Totals	<u>\$2,600,000</u>	<u>\$1,180,000</u>	<u>\$80,928</u>	<u>\$2,590,754</u>	<u>\$6,451,682</u>

1995 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 Bond Retirement Debt Service Fund.

Principal and interest requirements to retire the Energy Conservation Loan outstanding at June 30, 2004, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2005	<u>\$60,000</u>	<u>\$3,480</u>	<u>\$63,480</u>

Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was \$8,014,576 with an unvoted debt margin of \$127,494, and an Energy Conservation debt margin of \$1,087,447 at June 30, 2004.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 17 - INTERFUND ACTIVITY

As of June 30, 2004, interfund receivables and payables that resulted from various interfund transactions were as follows:

		Receivable
		<u>General</u>
Payable	Other Nonmajor	
	Governmental Funds	<u>\$116,362</u>

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

Transfers made during the fiscal year ended June 30, 2004 were as follows:

		Transfers From
		<u>Classroom Facilities</u>
Transfers To	Bond Retirement	<u>\$155,306</u>

A transfer was made to move an amount from the Classroom Facilities Capital Projects Fund to the Bond Retirement Debt Service Fund to reimburse that fund for expenditures in prior years that should have been made from the Classroom Facilities Capital Projects Fund.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. 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, Pickaway, Gallia 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 a representative of the fiscal agent.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

The School District paid SCOCA \$69,180 for services provided during the fiscal 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.

B. Pickaway-Ross County Career and Technology Center

The Pickaway-Ross County Career and Technology Center 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, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross County Career and Technology Center, Ben Van Horn who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

C. Great Seal Education Network of Tomorrow

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. The Council possesses its own budgeting and taxing authority. 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 School District paid \$300 to the Council for services provided during the fiscal year.

D. 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 composed of fourteen members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for School District administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for School District personnel. The Council 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 Council. The School District paid \$300 to the Coalition for services provided during the fiscal year.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

E. Pilasco-Ross Special Education Regional Resource Center

The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a Board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross County Career and Technology Center, Shawnee State University, and Ross-Pike, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

NOTE 19 - INSURANCE PURCHASING POOLS

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

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

B. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Schuett Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Schuett Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 20 - CLAIMS SERVICING POOL

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 consisting of sixteen school districts within Ross County and its surrounding area. Medical/surgical and dental insurance 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 from 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, Scott Glandon who serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164-9745.

NOTE 21 - 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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

For the fiscal year ended June 30, 2004, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refunds received from the Bureau of Workers’ Compensation, which must be spent for specified purposes. The prior year’s set-aside balance for budget stabilization was spent during the fiscal year.

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>
Set-aside Reserve Balance as of June 30, 2003	(\$7,906)	\$0
Current Year Set-aside Requirement	261,626	261,626
Current Year Offsets	0	(58,039)
Qualifying Disbursements	(155,311)	(55,837)
Set-aside Reserve Balance as of June 30, 2004	<u>\$98,409</u>	<u>\$147,750</u>
Required Set-aside Balances Carried Forward to FY 2005	<u>\$98,409</u>	<u>\$147,750</u>

NOTE 22 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 23 - 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, 2004.

B. Litigation

The School District is a party to legal proceedings. The School District's legal counsel is of the opinion that the ultimate disposition of these claims cannot be determined at this time and that an estimate of potential loss cannot be determined at this time.

NOTE 24 – SUBSEQUENT EVENTS

On November 2, 2004, the voters of the School District defeated a 1.3 mill permanent improvement levy.

Union Scioto Local School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2004

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>				
Team Nutrition Grant	TW SU 2004	10.547	\$4,000	\$823
Nutrition Cluster:				
School Breakfast Program	05-PU-2004	10.553	46,836	46,836
National School Lunch Program	LL-P4 2004	10.555	169,548	169,548
Total Nutrition Cluster			<u>216,384</u>	<u>216,384</u>
Total U.S. Department of Agriculture			<u>220,384</u>	<u>217,207</u>
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 2004	84.010	259,334	341,189
Special Education - Grants to States (IDEA Part B)	6B-SF 2004	84.027	231,130	225,877
Safe and Drug-Free Schools and Communities	DR-S1-04	84.186	17,216	9,784
Innovative Educational Program Strategies	C2-S1 2004	84.298	11,644	11,644
Title II-D Technology	TJ-S1 2004	84.318	16,144	11,129
School Renovation Grant	AT-S4 2002	84.352	2,203	2,302
Improving Teacher Quality Grants	TR-S1 2004	84.367	152,570	88,358
Total U.S. Department of Education			<u>690,241</u>	<u>690,283</u>
Total Federal Financial Assistance			<u><u>\$910,625</u></u>	<u><u>\$907,490</u></u>

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2004, the District received \$67,215 and used \$70,277 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, 2004 the District's food commodities inventory was \$11,591.

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 basic financial statements.

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Scioto Local School District (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 2, 2005. 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.

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 opine 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 reportable 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 caused by error or fraud 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 did not deem reportable conditions, that we have reported to the management of the District in a separate letter dated May 2, 2005.

Compliance and Other Matters

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*.

Union Scioto Local School District
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards

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 and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

May 2, 2005

**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 programs for the year ended June 30, 2004. The District's major federal programs are 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 programs are 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 programs for the year ended June 30, 2004.

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.

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

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of 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 and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

May 2, 2005

UNION SCIOTO LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2004

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):	CFDA # 84.010 Title I CFDA # 84.027 Special Education
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.



**Auditor of State
Betty Montgomery**

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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
JUNE 21, 2005**