



**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Union Local School District
Belmont County
P.O. Box 300
Morristown, Ohio 43759

To Members of the Board:

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

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

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

During the year ended June 30, 2001, the School District adopted Governmental Accounting Statement No. 33, and as described in Note 3, the School District reclassified its non-expendable trust funds.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2001, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

November 15, 2001

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UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$22,905	\$208,701	\$324,639	\$479,363
Cash and Cash Equivalents with Fiscal Agent				
Receivables:				
Property and Other Taxes	2,152,551	49,007	343,048	
Accounts	1,480	5,000		
Intergovernmental	7,771	7,573		
Interfund	107,535			
Prepaid Items	23,247			
Inventory Held for Resale				
Materials and Supplies Inventory	76,771			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service				
Fund or Retirement of Debt				
Amount to be Provided from				
General Government Resources				
Total Assets and Other Debits	\$2,392,260	\$270,281	\$667,687	\$479,363

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$	\$	\$55,988	\$	\$	\$1,091,596
	109,497				109,497
					2,544,606
					6,480
					15,344
					107,535
					23,247
13,664					13,664
1,103					77,874
370,550			22,301,175		22,671,725
				346,242	346,242
				3,639,931	3,639,931
<u>\$385,317</u>	<u>\$109,497</u>	<u>\$55,988</u>	<u>\$22,301,175</u>	<u>\$3,986,173</u>	<u>\$30,647,741</u>

(continued)

UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$105,754	\$5,829	\$	\$59,812
Accrued Wages and Benefits Payable	899,971	99,711		
Compensated Absences Payable	18,628			
Interfund Payable				
Intergovernmental Payable	237,526	27,854		5
Deferred Revenue	1,883,776	53,491	321,445	
Due to Students		5,000		
Capital Leases Payable				
Claims Payable				
Retirement Incentive Payable				
General Obligation Bonds Payable				
Total Liabilities	3,145,655	191,885	321,445	59,817
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved for Encumbrances	1,296	24,713		8,056
Reserved for Inventory	76,771			
Reserved for Property Taxes	272,475	3,089	21,603	
Reserved for Endowments		6,000		
Unreserved, Undesignated (Deficits)	(1,103,937)	44,594	324,639	411,490
Total Fund Equity (Deficits) and Other Credits	(753,395)	78,396	346,242	419,546
Total Liabilities, Fund Equity and Other Credits	\$2,392,260	\$270,281	\$667,687	\$479,363

See accompanying notes to the general purpose financial statements.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$	\$	\$6,000	\$	\$	\$177,395
33,067					1,032,749
10,710				660,738	690,076
107,535					107,535
19,192		12,500		69,325	366,402
9,691					2,268,403
		29,686			34,686
				6,110	6,110
	13,675				13,675
				20,000	20,000
				3,230,000	3,230,000
<u>180,195</u>	<u>13,675</u>	<u>48,186</u>	<u>0</u>	<u>3,986,173</u>	<u>7,947,031</u>
			22,301,175		22,301,175
668,433					668,433
(463,311)	95,822				(367,489)
					34,065
					76,771
					297,167
					6,000
		7,802			(315,412)
<u>205,122</u>	<u>95,822</u>	<u>7,802</u>	<u>22,301,175</u>	<u>0</u>	<u>22,700,710</u>
<u>\$385,317</u>	<u>\$109,497</u>	<u>\$55,988</u>	<u>\$22,301,175</u>	<u>\$3,986,173</u>	<u>\$30,647,741</u>

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Property and Other Taxes	\$2,105,457	\$43,263	\$323,343	\$
Intergovernmental	6,438,985	965,830	36,697	94,403
Interest	49,875	826		23,650
Tuition and Fees	36,181			
Extracurricular Activities		116,233		
Gifts and Donations	38	5,727		
Miscellaneous	58,110	6,683		
Total Revenues	8,688,646	1,138,562	360,040	118,053
Expenditures:				
Current:				
Instruction:				
Regular	4,308,981	450,284		
Special	752,384	419,169		
Vocational	224,097			
Adult/Continuing		195		
Other	15,691			
Support Services:				
Pupils	396,225	36,359		
Instructional Staff	402,899	9,696		
Board of Education	40,753			
Administration	712,828	12,150		
Fiscal	214,975	1,700	7,032	
Operation and Maintenance of Plant	1,151,096	26,573		
Pupil Transportation	589,656	21,600		
Central	8,500	6,616		
Non-Instructional Services				
Extracurricular Activities	129,203	117,887		
Capital Outlay		92,411		369,712
Debt Service:				
Principal	975		70,000	
Interest and Fiscal Charges			192,710	
Total Expenditures	8,948,263	1,194,640	269,742	369,712
Excess of Revenues Over (Under) Expenditures	(259,617)	(56,078)	90,298	(251,659)
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	4,031			
Operating Transfers In		5,000		
Operating Transfers Out	(55,000)			
Total Other Financing Sources (Uses)	(50,969)	5,000	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Use	(310,586)	(51,078)	90,298	(251,659)
Fund Balances at Beginning of Year, (Restated, Note Decrease in Reserve for Inventory	(456,125) 13,316	129,474	255,944	671,205
Fund Balances (Deficits) at End of Year	(\$753,395)	\$78,396	\$346,242	\$419,546

See accompanying notes to the general purpose financial statements.

<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Expendable Trust</u>	
\$	\$2,472,063
	7,535,915
	74,351
	36,181
	116,233
22,775	28,540
<u>22,775</u>	<u>64,793</u>
	10,328,076
<u>22,775</u>	<u>10,328,076</u>
26,000	4,785,265
	1,171,553
	224,097
	195
	15,691
	432,584
	412,595
	40,753
	724,978
	223,707
	1,177,669
	611,256
	15,116
	247,090
	462,123
	70,975
	192,710
<u>26,000</u>	<u>10,808,357</u>
<u>(3,225)</u>	<u>(480,281)</u>
	4,031
	5,000
	(55,000)
<u>0</u>	<u>(45,969)</u>
(3,225)	(526,250)
11,027	611,525
	13,316
<u>\$7,802</u>	<u>\$98,591</u>

UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$1,961,000	\$1,977,576	\$16,576	\$38,500	\$43,137	\$4,637
Intergovernmental	6,576,807	6,434,914	(141,893)	1,026,777	1,020,926	(5,851)
Interest	60,000	53,727	(6,273)	850	936	86
Tuition and Fees	43,000	36,181	(6,819)			0
Extracurricular Activities			0	101,200	116,239	15,039
Gifts and Donations		38	38	8,900	5,727	(3,173)
Miscellaneous	1,200	10,389	9,189	150	150	0
Total Revenues	8,642,007	8,512,825	(129,182)	1,176,377	1,187,115	10,738
Expenditures:						
Current:						
Instruction:						
Regular	4,279,385	4,266,895	12,490	475,550	443,843	31,707
Special	728,807	728,331	476	450,477	412,116	38,361
Vocational	222,735	220,340	2,395			0
Adult/Continuing			0	195	195	0
Other	16,000	14,051	1,949			0
Support Services:						
Pupils	392,580	392,236	344	61,113	51,193	9,920
Instructional Staff	383,326	383,056	270	9,666	12,149	(2,483)
Board of Education	43,069	40,685	2,384			0
Administration	727,006	721,170	5,836	18,938	12,473	6,465
Fiscal	211,600	210,988	612	1,735	1,697	38
Operation and Maintenance of Plant	1,104,918	1,070,084	34,834	42,924	42,731	193
Pupil Transportation	582,506	575,725	6,781	21,888	22,936	(1,048)
Central	8,500	8,500	0	8,577	8,462	115
Non-Instructional Services			0			0
Extracurricular Activities	130,212	126,438	3,774	132,969	122,552	10,417
Capital Outlay			0	92,525	92,411	114
Debt Service:						
Principal Retirement			0			0
Interest and Fiscal Charges			0			0
Total Expenditures	8,830,644	8,758,499	72,145	1,316,557	1,222,758	93,799
Excess of Revenues Over/(Under) Expenditures	(188,637)	(245,674)	(57,037)	(140,180)	(35,643)	104,537
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	4,000	4,031	31			0
Refund of Prior Year Expenditures	1,000	46,741	45,741	1,512	1,533	21
Other Financing Sources			0	7,249	10,099	2,850
Advances In	119,833	102,522	(17,311)			0
Advances Out	(112,972)	(90,224)	22,748			0
Operating Transfers In	155,717		(155,717)	22,400	5,000	(17,400)
Operating Transfers Out	(210,717)	(55,000)	155,717	(17,385)		17,385
Total Other Financing Sources (Uses)	(43,139)	8,070	51,209	13,776	16,632	2,856
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(231,776)	(237,604)	(5,828)	(126,404)	(19,011)	107,393
Fund Balances at Beginning of Year	169,720	169,720	0	186,221	186,221	0
Prior Year Encumbrances Appropriated	83,719	83,719	0	12,758	12,758	0
Fund Balances (Deficits) at End of Year	\$21,663	\$15,835	(\$5,828)	\$72,575	\$179,968	\$107,393

See accompanying notes to the general purpose financial statements.

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$325,000	\$326,039	\$1,039	\$	\$	\$0
35,000	36,699	1,699	242,080	219,738	(22,342)
		0	32,000	25,107	(6,893)
		0			0
		0			0
		0			0
		0			0
<u>360,000</u>	<u>362,738</u>	<u>2,738</u>	<u>274,080</u>	<u>244,845</u>	<u>(29,235)</u>
		0	258,583	243,073	15,510
		0	1,000	732	268
		0			0
		0			0
		0			0
		0	7,204	5,735	1,469
7,601	7,034	567			0
		0	36,000	21,681	14,319
		0	103,542	39,591	63,951
		0			0
		0	900	847	53
		0	4,000	3,981	19
		0	131,857	92,007	39,850
70,000	70,000	0			0
<u>192,400</u>	<u>192,710</u>	<u>(310)</u>			<u>0</u>
<u>270,001</u>	<u>269,744</u>	<u>257</u>	<u>543,086</u>	<u>407,647</u>	<u>135,439</u>
<u>89,999</u>	<u>92,994</u>	<u>2,995</u>	<u>(269,006)</u>	<u>(162,802)</u>	<u>106,204</u>
		0			0
		0			0
		0			0
		0			0
		0			0
		0			0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
89,999	92,994	2,995	(269,006)	(162,802)	106,204
231,645	231,645	0	490,586	490,586	0
		0	83,711	83,711	0
<u>\$321,644</u>	<u>\$324,639</u>	<u>\$2,995</u>	<u>\$305,291</u>	<u>\$411,495</u>	<u>\$106,204</u>

(Continued)

UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
(Continued)**

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$	\$	\$ 0	\$2,324,500	\$2,346,752	\$22,252
Intergovernmental			0	7,880,664	7,712,277	(168,387)
Interest	500	108	(392)	93,350	79,878	(13,472)
Tuition and Fees			0	43,000	36,181	(6,819)
Extracurricular Activities			0	101,200	116,239	15,039
Gifts and Donations	23,000	22,780	(220)	31,900	28,545	(3,355)
Miscellaneous			0	1,350	10,539	9,189
Total Revenues	23,500	22,888	(612)	10,475,964	10,330,411	(145,553)
Expenditures:						
Current:						
Instruction:						
Regular	21,500	20,000	1,500	5,035,018	4,973,811	61,207
Special			0	1,180,284	1,141,179	39,105
Vocational			0	222,735	220,340	2,395
Adult/Continuing			0	195	195	0
Other			0	16,000	14,051	1,949
Support Services:						
Pupils			0	453,693	443,429	10,264
Instructional Staff			0	392,992	395,205	(2,213)
Board of Education			0	43,069	40,685	2,384
Administration			0	753,148	739,378	13,770
Fiscal			0	220,936	219,719	1,217
Operation and Maintenance of Plant			0	1,183,842	1,134,496	49,346
Pupil Transportation			0	707,936	638,252	69,684
Operation of Non-Instructional Services			0	17,077	16,962	115
Non-Instructional Services			0	900	847	53
Extracurricular Activities			0	267,181	252,971	14,210
Capital Outlay			0	224,382	184,418	39,964
Debt Service:						
Principal Retirement			0	70,000	70,000	0
Interest and Fiscal Charges			0	192,400	192,710	(310)
Total Expenditures	21,500	20,000	1,500	10,981,788	10,678,648	303,140
Excess of Revenues Over/(Under) Expenditures	2,000	2,888	888	(505,824)	(348,237)	157,587
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets			0	4,000	4,031	31
Refund of Prior Year Expenditures			0	2,512	48,274	45,762
Other Financing Sources				7,249	10,099	2,850
Advances In			0	119,833	102,522	(17,311)
Advances Out			0	(112,972)	(90,224)	22,748
Operating Transfers In			0	178,117	5,000	(173,117)
Operating Transfers Out			0	(228,102)	(55,000)	173,102
Total Other Financing Sources (Uses)	0	0	0	(29,363)	24,702	54,065
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,000	2,888	888	(535,187)	(323,535)	211,652
Fund Balances at Beginning of Year	23,418	23,418	0	1,101,590	1,101,590	0
Prior Year Encumbrances Appropriated			0	180,188	180,188	0
Fund Balances (Deficits) at End of Year	\$25,418	\$26,306	\$888	\$746,591	\$958,243	\$211,652

See accompanying notes to the general purpose financial statements.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating Revenues:			
Sales	\$217,542	\$	\$217,542
Charges for Services		374,969	374,969
Other Revenues	338		338
Total Operating Revenues	<u>217,880</u>	<u>374,969</u>	<u>592,849</u>
Operating Expenses:			
Salaries	153,317		153,317
Fringe Benefits	107,225	18	107,243
Purchased Services	212	12,176	12,388
Materials and Supplies	10,789		10,789
Cost of Sales	234,399		234,399
Depreciation	21,619		21,619
Claims		356,584	356,584
Other	1,134		1,134
Total Operating Expenses	<u>528,695</u>	<u>368,778</u>	<u>897,473</u>
Operating Income (Loss)	<u>(310,815)</u>	<u>6,191</u>	<u>(304,624)</u>
Non-Operating Revenues:			
Federal Donated Commodities	29,306		29,306
Interest		4,495	4,495
Operating Grants	205,244		205,244
Total Non-Operating Revenues	<u>234,550</u>	<u>4,495</u>	<u>239,045</u>
Income (Loss) Before Operating Transfers	(76,265)	10,686	(65,579)
Operating Transfers In	50,000		50,000
Net Income (Loss)	(26,265)	10,686	(15,579)
Retained Earnings (Deficit) at Beginning of Year	(437,046)	85,136	(351,910)
Retained Earnings (Deficit) at End of Year	<u>(463,311)</u>	<u>95,822</u>	<u>(367,489)</u>
Contributed Capital at Beginning of Year	667,586	0	667,586
Current Capital Contributions- Governmental Funds	847	0	847
Contributed Capital at End of Year	<u>668,433</u>	<u>0</u>	<u>668,433</u>
Fund Equity at End of Year	<u>\$205,122</u>	<u>\$95,822</u>	<u>\$300,944</u>

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY -
BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$204,550	\$217,542	\$12,992
Charges for Services			0
Operating Grants	234,150	231,718	(2,432)
Interest			0
Refund of Prior Year Expense	300	164	(136)
Other Revenues	1,000	174	(826)
Total Revenues	440,000	449,598	9,598
Expenses:			
Salaries	145,680	151,373	(5,693)
Fringe Benefits	97,453	98,490	(1,037)
Purchased Services	250	212	38
Materials and Supplies	235,578	235,578	0
Capital Outlay	713	513	200
Other	1,167	1,134	33
Total Expenses	480,841	487,300	(6,459)
Excess of Revenues Over (Under) Expenses	(40,841)	(37,702)	3,139
Operating Transfers In	50,000	50,000	0
Advances In	90,000	90,224	224
Advances Out	(102,440)	(102,522)	(82)
Excess of Revenues Over (Under) Expenses, Transfers, and Advances	(3,281)	0	3,281
Fund Equity at Beginning of Year	(57,291)	(57,291)	0
Prior Year Encumbrances Appropriated	57,291	57,291	0
Fund Equity (Deficit) at End of Year	(\$3,281)	\$0	\$3,281

See accompanying notes to the general purpose financial statements.

Internal Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$	\$	\$ 0	\$204,550	\$217,542	\$12,992
345,000	374,969	29,969	345,000	374,969	29,969
		0	234,150	231,718	(2,432)
5,600	4,495	(1,105)	5,600	4,495	(1,105)
		0	300	164	(136)
		0	1,000	174	(826)
<u>350,600</u>	<u>379,464</u>	<u>28,864</u>	<u>790,600</u>	<u>829,062</u>	<u>38,462</u>
		0	145,680	151,373	(5,693)
819	811	8	98,272	99,301	(1,029)
369,181	365,153	4,028	369,431	365,365	4,066
		0	235,578	235,578	0
		0	713	513	200
		0	1,167	1,134	33
<u>370,000</u>	<u>365,964</u>	<u>4,036</u>	<u>850,841</u>	<u>853,264</u>	<u>(2,423)</u>
(19,400)	13,500	32,900	(60,241)	(24,202)	36,039
		0	50,000	50,000	0
		0	90,000	90,224	224
		0	(102,440)	(102,522)	(82)
(19,400)	13,500	32,900	(22,681)	13,500	36,181
95,997	95,997	0	38,706	38,706	0
		0	57,291	57,291	0
<u>\$76,597</u>	<u>\$109,497</u>	<u>\$32,900</u>	<u>\$73,316</u>	<u>\$109,497</u>	<u>\$36,181</u>

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$217,542	\$	\$217,542
Cash Received from Quasi-External Transactions with Other Funds		374,969	374,969
Cash Payments to Suppliers for Goods and Services	(235,790)		(235,790)
Cash Payments for Employee Services	(151,373)		(151,373)
Cash Payments for Purchased Services		(11,383)	(11,383)
Cash Payments for Employee Benefits	(98,490)	(811)	(99,301)
Cash Payments for Claims		(353,770)	(353,770)
Other Operating Revenues	338		338
Other Operating Expenses	(1,134)		(1,134)
Net Cash Provided by (Used for) Operating Activities	<u>(268,907)</u>	<u>9,005</u>	<u>(259,902)</u>
Cash Flows from Noncapital Financing Activities:			
Advances In	90,224		90,224
Advances Out	(102,522)		(102,522)
Operating Transfers In	50,000		50,000
Operating Grants Received	231,718		231,718
Net Cash Provided by Noncapital Financing Activities	<u>269,420</u>	<u>0</u>	<u>269,420</u>
Cash Flows from Investing Activities:			
Interest on Investments		4,495	4,495
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(513)		(513)
Net Increase in Cash and Cash Equivalents	0	13,500	13,500
Cash and Cash Equivalents at Beginning of Year	0	95,997	95,997
Cash and Cash Equivalents at End of Year	<u>\$0</u>	<u>\$109,497</u>	<u>109,497</u>

See accompanying notes to the general purpose financial statements.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:			
Operating Income (Loss)	<u>(\$310,815)</u>	<u>\$6,191</u>	<u>(\$304,624)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Depreciation	21,619		21,619
Donated Commodities Used	29,306		29,306
Changes in Assets and Liabilities:			
(Increase) Decrease in Prepaids	5,641		5,641
(Increase) Decrease in Inventory Held for Resale	(3,446)		(3,446)
(Increase) Decrease in Materials and Supplies Inventory	(326)		(326)
Increase (Decrease) in Accounts Payable	(21,102)		(21,102)
Increase (Decrease) in Accrued Wages and Benefits Payable	2,090		2,090
Increase (Decrease) in Compensated Absences Payable	108		108
Increase (Decrease) in Intergovernmental Payables	3,073		3,073
Increase (Decrease) in Deferred Revenue	4,945		4,945
Increase (Decrease) in Claims Payable		2,814	2,814
Total Adjustments	<u>41,908</u>	<u>2,814</u>	<u>44,722</u>
Net Cash Used for Operating Activities	<u>(\$268,907)</u>	<u>\$9,005</u>	<u>(\$259,902)</u>

Non-cash transactions:

During fiscal year 2001, the Food Service Enterprise Fund fixed asset additions in the amount of \$847 were received from governmental funds, and were recorded as contributed capital.

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**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1952 through the consolidation of the Union Township, Smith Township, Belmont, Bethesda, Lafferty, and Holloway schools. In 1968, the new Union Local School District was formed when the Flushing School District joined the consolidation. The combined high school, Union Local High School, was built in 1958, with the first class graduating in 1960. In the fall of 1998, Union Local School District finished construction of a new high school. In the fall of 1999, construction of a new elementary school was complete, as well as the renovations to the old high school which was converted into the middle school. It is located in Belmont County, and includes all of the Villages of Morristown, Belmont Centerville, Bethesda, and Flushing. The School District is the 346th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 67 non-certificated employees, 126 certificated full-time teaching personnel and 12 administrative employees who provide services to 1,596 students and other community members. Subsequent to the completion of the renovations to the high school building and new addition and the construction of the new elementary school, the Flushing, Centerville, Belmont, and Bethesda Elementary Buildings were turned over to the communities for one dollar. The School District currently operates 3 instructional buildings, 1 administrative building, and 1 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 the Union 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.

No separate governmental units meet the criteria for inclusion as a component unit.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

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

The School District is involved with the Belmont-Harrison Vocational School, the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA), the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan which are defined as jointly governed organizations, an insurance purchasing pool, and a claims servicing pool. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Proprietary Fund Types:

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

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

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 on a cost reimbursement basis.

Fiduciary Fund Types:

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

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function for the General Fund, and at the fund level for all other funds. The treasurer has the authority to further allocate fund appropriations passed by the Board of Education. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

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

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

Estimated Resources:

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures for the General Fund, and at the fund level for all other funds, which are the legal levels of budgetary control. The Treasurer exercises the ability to track budgetary information at lower levels.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts and immaterial adjustments made by the Treasurer, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents and Cash with Fiscal Agent

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

During fiscal year 2001, investments were limited to repurchase agreements. Repurchase agreements are reported at cost.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2001 amounted to \$49,875, which includes \$35,405 assigned from other School District funds.

The School District has cash with fiscal agent for monies held separate from the School District's central bank account. This account is maintained by the District's self-insurance third party administrator and is presented in the combined balance sheet as "cash and cash equivalents with fiscal agents" since it is not required to be deposited into the School District treasury.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

E. Inventory

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

F. Prepaid Items

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

G. Fixed Assets and Depreciation

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

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Dwight D. Eisenhower
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Title I
- Title VI
- Textbook Subsidy
- Technology Equity
- Title VI-B
- Drug-Free Schools
- Local Professional Development Block Grant
- Conflict Management
- Auxiliary Services
- Continuous Improvement Grant
- School Net Professional Development
- Ohio Reads
- Extended Learning Opportunities

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Reimbursable Grants (Continued)

Special Revenue Funds (Continued)

Network Connectivity Status
Safe School Helpline
Class Size Reduction

Capital Projects Funds

School Net
Technology Equity

Reimbursable Grants

General Fund

Driver Education
Telecommunications (E-Rate)

Special Revenue

Summer School Subsidy Grant

Capital Projects Funds

Emergency School Building Repair

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately sixty-nine percent of the School District's operating revenue during the 2001 fiscal year.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for certified, administrative, and classified employees after 15 years of current service with the School District.

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

K. Accrued Liabilities and Long-Term Obligations

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

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

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions

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

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

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. The amount of contributed capital increased in the amount of \$847 for contributions from governmental funds.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1993, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Total Columns on General Purpose Financial Statements

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

P. Estimates

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

Changes in Accounting Principles For fiscal year 2001, the School District reclassified certain funds for presentation purposes. The non-expendable and certain expendable trust funds were reclassified to the Special Revenue Fund, while the Telecommunications (E-Rate) Fund was reclassified from the Special Revenue Fund to the General Fund. The School District has also implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues". The implementation of GASB Statement No. 33 and 36 and the fund reclassifications had the following effect on fund balance at June 30, 2000:

	General	Special Revenue	Expendable Trust	Non-Expendable Trust
Fund Balance at June 30, 2000	(\$465,887)	\$97,385	\$12,638	\$19,240
Fund Reclassification	9,762	11,089	(1,611)	(19,240)
Implementation of GASB 33		21,000		
Adjusted Fund Balance at June 30, 2000	<u>(\$456,125)</u>	<u>\$129,474</u>	<u>\$11,027</u>	<u>\$0</u>

The effect of the fund reclassification on the excess of revenues and other financing sources over (under) expenditures and other financing uses previously reported and net income for the year ended June 30, 2000 is as follows:

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE
(Continued)

	General	Special Revenue	Expendable Trust	Non- Expendable Trust
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses at June 30, 2000	(\$314,297)	\$24,863	\$744	\$587
Revenue and Expenditure Restatements	9,762	(8,531)	(644)	(587)
Restated Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses at June 30, 2000	<u>(\$304,535)</u>	<u>\$16,332</u>	<u>\$100</u>	<u>\$0</u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2001 the following funds had a deficit fund balance or deficit retained earnings.

	Deficit Fund Balance	Deficit Retained Earnings
General Fund	\$753,395	
<u>Special Revenue Funds:</u>		
Professional Development	\$56	
Disadvantaged Pupil Impact Aid	45,496	
Summer School Subsidy	42	
Title I	44,764	
Combined Goals 2000	101	
<u>Enterprise Fund:</u>		
Food Service		\$463,311

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)

The deficit in the General Fund was created by the application of generally accepted accounting principles. The School District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending. The Professional Development, DPIA, Summer School Subsidy, Title I, and Combined Goals 2000 Special Revenue Funds' deficit fund balances were created by the application of generally accepted accounting principles. These funds receive transfers from the General Fund when cash is required rather than when accruals occur. The Food Service Enterprise Fund's deficit retained earnings was created by the application of generally accepted accounting principles. Management is reviewing food service operations to determine whether changes are adequate.

B. Compliance

The School District incurred negative cash fund balances throughout the year contrary to section 5705.10, Revised Code.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (Budget Basis) as opposed to when susceptible to accrual (GAAP Basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP Basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosure in the proprietary fund type (GAAP Basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (Budget Basis) rather than as balance sheet transactions (GAAP Basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP Basis).

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$310,586)	(\$51,078)	\$90,298	(\$251,659)	(\$3,225)
Revenue Accruals	(129,177)	60,185	2,696	126,793	113
Unrecorded Cash	98				
Expenditure Accruals	172,513	615		29,932	6,000
Debt Principal	975				
Prepaid Items	23,247				
Advances - In	102,522				
Advances - Out	(90,224)				
Encumbrances	(6,972)	(28,733)		(67,868)	
Budget Basis	<u>(\$237,604)</u>	<u>(\$19,011)</u>	<u>\$92,994</u>	<u>(\$162,802)</u>	<u>\$2,888</u>

Net Income (Loss)/Excess of Revenues Over (Under) Expenses,
Transfers, and Advances - All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$26,265)	\$10,686
Revenue Accrual	(2,833)	
Expense Accrual	9,851	2,814
Prepaid Items	5,641	
Materials and Supplies Inventory	326	
Inventory Held for Resale	3,446	
Capital Outlay	513	
Depreciation Expense	21,619	
Advances-In	90,224	
Advances-Out	(102,522)	
Budget Basis	<u>\$0</u>	<u>\$13,500</u>

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

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 demand on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW accounts, or in money market deposit accounts.

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

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' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interest 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 year end, the School District had \$98 in undeposited cash on hand which is included on the balance sheet of the School District as part of an 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 \$260,757 and the bank balance was \$299,008. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$199,008 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

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 year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 3	Carrying Value	Market Value
Repurchase Agreement	\$830,741	\$830,741	\$830,741
Totals		\$830,741	\$830,741

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,201,093	\$0
Deposits with Fiscal Agent	(109,497)	
Cash on Hand	(98)	
Investments: Repurchase Agreement	(830,741)	830,741
Total GASB Statement 3	\$260,757	\$830,741

At June 30, 2001, the School District's internal service fund had a balance of \$109,497 with OME-RESA, a jointly governed organization (See Note 17). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 7 - PROPERTY TAXES

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

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

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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

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

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

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

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

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 7 - PROPERTY TAXES (Continued)

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$63,676,140	78.6%	\$78,770,440	81.6%
Public Utility	12,775,580	15.8	12,988,700	13.5
Tangible Personal Property	4,534,890	5.6	4,750,960	4.9
Total Assessed Value	<u>\$80,986,610</u>	<u>100.00%</u>	<u>\$96,510,100</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.05		\$32.50	

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$297,167, \$272,475 was available to the General Fund, \$21,603 was available to the Bond Retirement Debt Service Fund, and \$3,089 was available to the Classroom Maintenance Special Revenue Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 8 - RECEIVABLES (Continued)

	Amounts
General Fund:	
E-RATE	\$7,771
Special Revenue Funds:	
Title I	1,378
Title II	1,496
Title VI-B	4,699
Total Special Revenue Funds	7,573
Total All Funds	\$15,344

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$506,564
Less Accumulated Depreciation	(136,014)
Net Fixed Assets	\$370,550

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

Asset Category	Balance at 7/01/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$1,842,760	\$0	\$0	\$1,842,760
Buildings and Improvements	17,591,319			17,591,319
Furniture and Fixtures, and Machinery and Equipment	1,649,564	124,289	5,289	1,768,564
Vehicles	1,001,668	96,864		1,098,532
Total General Fixed Assets	\$22,085,311	\$221,153	\$5,289	\$22,301,175

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 10 - RISK MANAGEMENT

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

Coverage	Amount	Deductible
Blanket Building and Contents	\$30,323,300	\$500
Boiler and Machinery	7,000,000	1,000
Automobile/Uninsured Motorists	7,500,000	250
General Liability		
Per Occurrence	2,000,000	0
Total Per Year	2,000,000	0

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

Prescription, vision and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool, consisting of fifty members, 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 \$13,675 reported in the internal service fund at June 30, 2001 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 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	Claim Payments	Balance at End of Year
2000	\$18,555	\$303,660	\$311,354	\$10,861
2001	10,861	356,584	353,770	13,675

**UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 10 - RISK MANAGEMENT (Continued)

C. Workers' Compensation

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$38,641, \$50,614, and \$73,763, respectively; 39.72 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$23,292 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The Union Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$503,071, \$267,656, and \$227,710, respectively; 86.47 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$68,055 represents the unpaid contribution for fiscal year 2001, and is recorded as a liability within the respective funds.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$238,297 for fiscal year 2001.

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

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$119,833

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn five 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 and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 290 days for all certificated employees and 280 days for all non-classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 72 days for certificated employees and 70 days for non-classified employees.

B. Other Insurance

The School District contracts with local health management organizations, Health Plan of the Upper Ohio Valley and Health Assurance, for hospitalization and major medical insurance for all employees. The School District pays monthly premiums of up to \$662.60 for family coverage and up to \$254.49 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 13 - EMPLOYEE BENEFITS (Continued)

C. Special Termination Benefit Payable

It has been agreed between the Union Local School District Board of Education and the Union Local Education Association that the Union Local School District Board of Education will provide a retirement incentive in the amount of a \$10,000 lump sum to any employee who is eligible for full retirement under any of Ohio's public employee retirement systems, provided the conditions stated in the agreement on file with the School District are met. During Fiscal Year 2001, the School District incurred \$20,000 in Retirement Incentives. The \$20,000 will be paid during Fiscal Year 2002.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into a capitalized lease with the Carson Petroleum Company, Lansing, Ohio, for the purchase of underground fuel storage tanks. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

The underground fuel storage tanks have been capitalized in the general fixed assets account group in the amount of \$19,400. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$975 in the governmental funds. Future payment amounts vary based upon fuel purchases in each fiscal year until the balance is fully repaid.

NOTE 15 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
General Obligation Bond 1997 - Variable Interest	\$3,300,000	\$0	\$70,000	\$3,230,000
Other Long Term Obligations:				
Compensated Absences	665,765	306,200	311,227	660,738
Pension Obligation	79,565	69,325	79,565	69,325
Retirement Incentive	50,000	20,000	50,000	20,000
Capital Leases	7,085		975	6,110
Total General Long-Term Obligations	\$4,102,415	\$395,525	\$511,767	\$3,986,173

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Capital leases will be paid from the General Fund. Compensated absences, the retirement incentive, and the pension obligation, which represents the contractually required pension contribution paid outside the available period, will be paid from the fund from which the employees' salaries are paid.

The general obligation bonds were issued in 1997 and represented the local share for the School District's construction of the new high school, new elementary school, and for middle school renovations. The general obligation bonds will be paid from the proceeds of a 4.5 mill bond levy. In addition to these proceeds, the School District received \$15,262,035 in monies from the Ohio School Facilities Commission. Initially, repayment of the Ohio School Facilities Commission funds was to be made over a twenty-three year period from a half-mill levy. During 1998, the School District passed the necessary board resolution which enables the School District to retain the half-mill levy for the maintenance of the new buildings due to the District's assessed values being below the statewide median. As a result of the approval from the Ohio School Facilities Commission, the District has no obligation to repay the School Facilities loan, as long as, the District's assessed values remain below the median. Due to the District's current ranking of 554 and the median being 306, the likelihood of future repayment requirements are remote. However, in any year in which the District's assessed values rise above the median half of the levy proceeds would be paid to the State to retire the loan. Any unpaid balance at the end of 23 years will be forgiven.

The School District's overall legal debt margin was \$5,455,909 with an unvoted debt margin of \$96,510 at June 30, 2001. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	80,000	189,145	269,145
2003	85,000	185,143	270,143
2004	90,000	180,810	270,810
2005	105,000	175,305	280,305
2006	110,000	168,613	278,613
2007-2019	2,760,000	1,245,654	4,005,654
Total	<u>\$3,230,000</u>	<u>\$2,144,670</u>	<u>\$5,374,670</u>

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 16 - INTERFUND ACTIVITY (Continued)

Fund Type	Interfund Receivable	Interfund Payable
General Fund	\$107,535	\$
Enterprise - Food Service Fund		107,535
Totals	\$107,535	\$107,535

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Belmont-Harrison Vocational School - The Belmont-Harrison Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2001, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Alexis Petrilla, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

Ohio Mid Eastern Regional Educational Service Agency - The Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2001, the total amount paid to the Ohio Mid Eastern Regional Education Service Agency from the School District was \$32,030. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to the Ohio Mid Eastern Regional Educational Service Agency, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952.

NOTE 18 - PUBLIC ENTITY POOLS

A. Insurance Purchasing Pool

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

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 18 - PUBLIC ENTITY POOLS (Continued)

B. Claims Servicing Pool

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

NOTE 19 - SCHOOL FUNDING COURT DECISION

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 15, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

NOTE 20 - SET-ASIDE CALCULATIONS

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

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 20 - SET-ASIDE CALCULATIONS (Continued)

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2000	\$0	\$0	\$109,642
Current Year Set-aside Requirement	169,344	169,344	0
Current Year Offsets	(51,840)	(43,138)	0
Qualifying Disbursements	(121,354)	(137,610)	(109,642)
Totals	<u>(\$3,850)</u>	<u>(\$11,404)</u>	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$3,850)</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The School District has qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. During fiscal year 2001, the Board of Education passed a resolution to expend the budget reserve amount pursuant to State Statute, and as a result no budget reserve exists at June 30, 2001.

NOTE 21 - CONTINGENCIES

A. Grants

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

UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
United States Department of Agriculture						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster						
Food Distribution Program	10.550	N/A	\$	\$52,428	\$	\$29,306
School Breakfast Program	10.553	046011-05-PU-00-00/01	38,892		38,892	
National School Lunch Program	10.555	046011-LL-P1/P4-00-00/01	180,341		180,341	
Total United States Department of Agriculture - Nutrition Cluster			219,233	52,428	219,233	29,306
United States Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	84.010	046011-C1-S1-01	404,266		376,035	
Special Education Grants to States (IDEA Part B)	84.027	046011-6B-SF-00P	105,983		97,721	
Drug Free Schools and Communities Act	84.186	046011-DR-S1-01	6,578		6,578	
Goals 2000 - State and Local Education Systematic Improvement Grants	84.276	046011-GS-S2-00/01	35,000		9,542	
Eisenhower Professional Development Grant	84.281	046011-MS-S1-01	8,832		7,949	
Innovative Education Program Strategies	84.298	046011-C2-S1-01	7,729		11,989	
Title VI of ESEA - Class Size Reduction	84.340	046011-CR-S1-01	68,687		65,962	
Total United States Department of Education			637,075		575,776	
Total Federal Awards Receipts and Expenditures			\$856,308	\$52,428	\$795,009	\$29,306

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

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the School District had no significant food commodities in inventory.

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

Union Local School District
Belmont County
P.O. Box 300
Morristown, Ohio 43759

To Members of the Board:

We have audited the financial statements of the Union Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 15, 2001, wherein we noted that during 2001, the School District adopted Governmental Accounting Statement No. 33 and reclassified its non-expendable trust funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-11007-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated November 15, 2001.

Internal Control Over Financial Reporting

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

Union Local School District
Belmont County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page -2-

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

Jim Petro
Auditor of State

November 15, 2001



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

Union Local School District
Belmont County
P.O. Box 300
Morristown, Ohio 43759

To Members of the Board:

Compliance

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

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

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

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated November 15, 2001.

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

Jim Petro
Auditor of State

November 15, 2001

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, C.F.D.A 84.010
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001
(Continued)**

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

FINDING NUMBER 2001-11007-001

Noncompliance Citation

Ohio Rev. Code § 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established.

The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay obligations of the fund or funds carrying the deficit balance.

As of January 31, 2001, the Disadvantaged Pupil Impact Aid, Title I, Lunchroom, and Classroom Size Reduction Funds had negative fund balances of \$5,130, \$23,680, \$122,595, and \$2,537, respectively.

We recommend the School District monitor fund balances in order to ensure compliance with the Ohio Revised Code.

3. FINDINGS FOR FEDERAL AWARDS

None.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2000-11007-001	The School District had expenditures plus encumbrances in excess of appropriations in violation of Ohio Revised Code Section 5705.41(B).	Partially Corrected	We reported this finding in the management letter.

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**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
JUNE 30, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-11007-001	The School District will implement internal control procedures to monitor fund balances to ensure moneys from one fund are not used to pay an obligation of another fund.	June 30, 2002	Shawn Miller, Treasurer



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UNION LOCAL SCHOOL DISTRICT

BELMONT 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
DECEMBER 18, 2001**