



**Auditor of State
Betty Montgomery**

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants Report	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Fund.....	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund.....	10
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types	15
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual – All Proprietary Fund Types.....	16
Combined Statement of Cash Flows – All Proprietary Fund Types	18
Notes to the General Purpose Financial Statements.....	19
Schedule of Federal Awards Receipts and Expenditures.....	44
Notes to the Schedule of Federal Awards Receipts and Expenditures	45
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	47
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.....	49
Schedule of Findings - <i>OMB Circular A-133, Section .505</i>	51
Schedule of Prior Audit Finding - <i>OMB Circular A-133, Section 315 (b)</i>	53
Corrective Action Plan - <i>OMB Circular A-133, Section 315 (c)</i>	54

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2003, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty D. Montgomery
Auditor of State

January 13, 2003

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Union Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Cash and Cash Equivalents	\$37,670	\$111,880	\$388,190	\$346,107
Cash and Cash Equivalents with Fiscal and Escrow Agents				
Receivables:				
Property Taxes	2,141,556	49,157	340,839	
Accounts	1,439			
Intergovernmental	12,909	53,812	160	
Interfund	9,652			
Inventory Held for Resale				
Materials and Supplies Inventory	70,663			
Prepaid Items	19,453			
Restricted Assets:				
Cash and Cash Equivalents	50,463			
Advances To Other Funds	134,551			
Fixed Assets (Net, where applicable of Accumulated Depreciation)				
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
 Total Assets and Other Debits	 \$2,478,356	 \$214,849	 \$729,189	 \$346,107

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$	\$	\$60,211	\$	\$	\$944,058
	108,370				108,370
					2,531,552
					1,439
					66,881
					9,652
11,928					11,928
1,103					71,766
					19,453
					50,463
					134,551
348,931			22,636,168		22,985,099
				409,830	409,830
				3,728,585	3,728,585
<u>\$361,962</u>	<u>\$108,370</u>	<u>\$60,211</u>	<u>\$22,636,168</u>	<u>\$4,138,415</u>	<u>\$31,073,627</u>

(Continued)

Union Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002
 (Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$20,493	\$11,264	\$	\$
Accrued Wages and Benefits	914,599	97,194		
Compensated Absences Payable	13,830			
Interfund Payable		9,652		
Intergovernmental Payable	178,635	13,632		
Deferred Revenue	2,009,625	52,240	319,359	
Due to Students				
Advances From Other Funds				
Claims Payable				
Capital Leases Payable				
General Obligation Bonds Payable				
Total Liabilities	3,137,182	183,982	319,359	0
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved for Encumbrances	39,351	9,370		26,537
Reserved for Advances	134,551			
Reserved for Property Taxes	137,934	3,068	21,480	
Reserved for Textbooks and Materials	50,463			
Unreserved:				
Undesignated (Deficit)	(1,021,125)	18,429	388,350	319,570
Total Fund Equity (Deficit) and Other Credits	(658,826)	30,867	409,830	346,107
Total Liabilities, Fund Equity and Other Credits	\$2,478,356	\$214,849	\$729,189	\$346,107

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals Reporting Entity (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$	\$	\$	\$	\$	\$31,757
28,954					1,040,747
12,028				736,239	762,097
					9,652
10,753				95,407	298,427
					2,381,224
		29,113			29,113
134,551					134,551
	8,975				8,975
				156,769	156,769
				3,150,000	3,150,000
<u>186,286</u>	<u>8,975</u>	<u>29,113</u>	<u>0</u>	<u>4,138,415</u>	<u>8,003,312</u>
			22,636,168		22,636,168
668,433					668,433
(492,757)	99,395				(393,362)
					75,258
					134,551
					162,482
					50,463
		31,098			(263,678)
<u>175,676</u>	<u>99,395</u>	<u>31,098</u>	<u>22,636,168</u>	<u>0</u>	<u>23,070,315</u>
<u>\$361,962</u>	<u>\$108,370</u>	<u>\$60,211</u>	<u>\$22,636,168</u>	<u>\$4,138,415</u>	<u>\$31,073,627</u>

Union Local School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2002

	Governmental Fund		
	General	Special Revenue	Debt Service
<u>Revenues:</u>			
Property and Other Local Taxes	\$1,785,721	\$43,138	\$301,991
Intergovernmental	7,475,712	864,022	37,480
Interest	15,290	853	
Tuition and Fees	46,178		
Extracurricular Activities		101,226	
Gifts and Donations	16,103	13,930	
Miscellaneous	10,294	300	
Total Revenues	9,349,298	1,023,469	339,471
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,533,450	355,487	
Special	841,808	429,149	
Vocational	226,866		
Other	12,874		
Support Services:			
Pupils	413,599	58,545	
Instructional Staff	494,813	16,751	
Board of Education	46,040		
Administration	659,310	16,231	
Fiscal	231,398	1,021	7,150
Operation and Maintenance of Plant	1,048,308	56,320	
Pupil Transportation	571,885	23,632	
Central	10,000	6,556	
Extracurricular Activities	127,768	98,499	
Capital Outlay	149,818	54,071	
Debt Service:			
Principal	28,998		80,000
Interest and Fiscal Charges	5,348		188,733
Total Expenditures	9,402,283	1,116,262	275,883
Excess of Revenues Over (Under) Expenditures	(52,985)	(92,793)	63,588
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	149,818		
Operating Transfers In		2,264	
Operating Transfers Out	(2,264)		
Total Other Financing Sources (Uses)	147,554	2,264	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	94,569	(90,529)	63,588
Fund Balances (Deficit) at Beginning of Year	(753,395)	72,396	346,242
Residual Equity Transfers In (Out)		49,000	
Fund Balances (Deficit) at End of Year	(\$658,826)	\$30,867	\$409,830

See accompanying notes to the general purpose financial statements

Types	Fiduciary Fund Type	Totals (Memorandum Only)
Capital Projects	Expendable Trust	
\$	\$	\$2,130,850
64,754		8,441,968
8,567		24,710
		46,178
		101,226
	29,792	59,825
		10,594
73,321	29,792	10,815,351
	6,500	4,895,437
		1,270,957
		226,866
		12,874
		472,144
		511,564
		46,040
		675,541
		239,569
		1,104,628
		595,517
		16,556
97,760		226,267
		301,649
		108,998
		194,081
97,760	6,500	10,898,688
(24,439)	23,292	(83,337)
		149,818
		2,264
		(2,264)
0	0	149,818
(24,439)	23,292	66,481
419,546	7,806	92,595
(49,000)		0
\$346,107	\$31,098	\$159,076

Union Local School District
 Combined Statement of Revenues, Expenditures, and Changes
 In Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2002

	General		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<i><u>Revenues:</u></i>			
Property and Other Local Taxes	\$2,135,000	\$1,920,262	(\$214,738)
Intergovernmental	7,237,760	7,472,877	235,117
Interest	30,000	15,389	(14,611)
Tuition and Fees	36,200	46,178	9,978
Rent	150		(150)
Extracurricular Activities			
Gifts and Donations	14,603	16,103	1,500
Miscellaneous	11,050	10,335	(715)
Total Revenues	9,464,763	9,481,144	16,381
<i><u>Expenditures:</u></i>			
Current:			
Instruction:			
Regular	4,565,503	4,559,665	5,838
Special	840,600	840,520	80
Vocational	228,701	228,656	45
Other	15,000	14,513	487
Support Services:			
Pupils	422,816	419,091	3,725
Instructional Staff	497,513	495,379	2,134
Board of Education	54,275	49,917	4,358
Administration	682,327	672,698	9,629
Fiscal	235,752	235,700	52
Operation and Maintenance of Plant	1,205,269	1,181,517	23,752
Pupil Transportation	581,000	579,902	1,098
Central	10,000	10,000	0
Extracurricular Activities	139,952	135,468	4,484
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	9,478,708	9,423,026	55,682
Excess of Revenues Over (Under) Expenditures	(13,945)	58,118	72,063
<i><u>Other Financing Sources (Uses):</u></i>			
Advances In	9,490		(9,490)
Advances Out	(28,600)	(27,016)	1,584
Operating Transfers In			
Operating Transfers Out	(3,000)	(2,264)	736
Total Other Financing Sources (Uses)	(22,110)	(29,280)	(7,170)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(36,055)	28,838	64,893
Fund Balances at Beginning of Year	15,421	15,421	0
Prior Year Encumbrances Appropriated	6,973	6,973	0
Fund Balances at End of Year	(\$13,661)	\$51,232	\$64,893

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$47,600	\$43,159	(\$4,441)	\$336,684	\$302,114	(\$34,570)
865,066	816,361	(48,705)	38,000	37,320	(680)
1,525	853	(672)			
120,800	101,226	(19,574)			
8,200	18,930	10,730			
300	300	0			
<u>1,043,491</u>	<u>980,829</u>	<u>(62,662)</u>	<u>374,684</u>	<u>339,434</u>	<u>(35,250)</u>
402,330	377,613	24,717			
453,088	432,317	20,771			
66,914	60,869	6,045			
13,023	16,149	(3,126)			
19,451	14,935	4,516			
1,831	1,021	810	8,000	7,150	850
62,007	61,019	988			
25,509	23,131	2,378			
7,489	6,655	834			
125,745	111,420	14,325			
61,975	54,071	7,904			
			80,000	80,000	0
			<u>192,000</u>	<u>189,145</u>	<u>2,855</u>
<u>1,239,362</u>	<u>1,159,200</u>	<u>80,162</u>	<u>280,000</u>	<u>276,295</u>	<u>3,705</u>
<u>(195,871)</u>	<u>(178,371)</u>	<u>17,500</u>	<u>94,684</u>	<u>63,139</u>	<u>(31,545)</u>
47,575	51,264	3,689			
47,575	51,264	3,689	0	0	0
(148,296)	(127,107)	21,189	94,684	63,139	(31,545)
179,963	179,963	0	325,051	325,051	0
28,738	28,738	0			
<u>\$60,405</u>	<u>\$81,594</u>	<u>\$21,189</u>	<u>\$419,735</u>	<u>\$388,190</u>	<u>(\$31,545)</u>

(Continued)

Union Local School District
 Combined Statement of Revenues, Expenditures, and Changes
 In Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2002
 (Continued)

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Local Taxes	\$	\$	\$
Intergovernmental	64,754	64,754	
Interest	17,480	8,567	(8,913)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Miscellaneous			
Total Revenues	<u>82,234</u>	<u>73,321</u>	<u>(8,913)</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Extracurricular Activities			
Capital Outlay	242,224	184,114	58,110
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>242,224</u>	<u>184,114</u>	<u>58,110</u>
Excess of Revenues Over (Under) Expenditures	<u>(159,990)</u>	<u>(110,793)</u>	<u>49,197</u>
<u>Other Financing Sources (Uses):</u>			
Advances In			
Advances Out			
Operating Transfers In			
Operating Transfers Out	<u>(50,000)</u>	<u>(49,000)</u>	<u>1,000</u>
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(49,000)</u>	<u>1,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(209,990)	(159,793)	50,197
Fund Balances at Beginning of Year	411,496	411,496	0
Prior Year Encumbrances Appropriated	<u>67,867</u>	<u>67,867</u>	<u>0</u>
Fund Balances (Deficit) at End of Year	<u><u>\$269,373</u></u>	<u><u>\$319,570</u></u>	<u><u>\$50,197</u></u>

See accompanying notes to the general purpose financial statements

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$	\$	\$			
			\$2,519,284	\$2,265,535	(\$253,749)
			8,205,580	8,391,312	185,732
			49,005	24,809	(24,196)
			36,200	46,178	9,978
			150		(150)
			120,800	101,226	(19,574)
29,792	29,792	0	52,595	64,825	12,230
			11,350	10,635	(715)
<u>29,792</u>	<u>29,792</u>	<u>0</u>	<u>10,994,964</u>	<u>10,904,520</u>	<u>(90,444)</u>
27,500	25,000	2,500	4,995,333	4,962,278	33,055
			1,293,688	1,272,837	20,851
			228,701	228,656	45
			15,000	14,513	487
			489,730	479,960	9,770
			510,536	511,528	(992)
			54,275	49,917	4,358
			701,778	687,633	14,145
			245,583	243,871	1,712
			1,267,276	1,242,536	24,740
			606,509	603,033	3,476
			17,489	16,655	834
			265,697	246,888	18,809
			304,199	238,185	66,014
			80,000	80,000	0
			192,000	189,145	2,855
<u>27,500</u>	<u>25,000</u>	<u>2,500</u>	<u>11,267,794</u>	<u>11,067,635</u>	<u>200,159</u>
<u>2,292</u>	<u>4,792</u>	<u>2,500</u>	<u>(272,830)</u>	<u>(163,115)</u>	<u>109,715</u>
			9,490		(9,490)
			(28,600)	(27,016)	1,584
			47,575	51,264	3,689
			(53,000)	(51,264)	1,736
<u>0</u>	<u>0</u>	<u>0</u>	<u>(24,535)</u>	<u>(27,016)</u>	<u>(2,481)</u>
2,292	4,792	2,500	(297,365)	(190,131)	107,234
26,306	26,306	0	958,237	958,237	0
			103,578	103,578	0
<u>\$28,598</u>	<u>\$31,098</u>	<u>\$2,500</u>	<u>\$764,450</u>	<u>\$871,684</u>	<u>\$107,234</u>

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Union Local School District
 Combined Statement of Revenues, Expenses and Changes in Fund Equity
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2002

	<u>Proprietary Fund Types</u>		Totals
	<u>Enterprise</u>	<u>Internal Service</u>	<u>(Memorandum Only)</u>
<i><u>Operating Revenues:</u></i>			
Sales	\$203,744	\$	\$203,744
Charges for Services		223,301	223,301
Other Revenues	749		749
Total Operating Revenues	<u>204,493</u>	<u>223,301</u>	<u>427,794</u>
<i><u>Operating Expenses:</u></i>			
Salaries	172,060		172,060
Fringe Benefits	69,377		69,377
Purchased Services	291	12,929	13,220
Materials and Supplies	25,627		25,627
Cost of Sales	234,611		234,611
Claims		210,661	210,661
Depreciation	21,619		21,619
Other	896		896
Total Operating Expenses	<u>524,481</u>	<u>223,590</u>	<u>748,071</u>
Operating Loss	<u>(319,988)</u>	<u>(289)</u>	<u>(320,277)</u>
<i><u>Non-Operating Revenues:</u></i>			
Federal Donated Commodities	63,480		63,480
Interest		3,862	3,862
Operating Grants	227,062		227,062
Total Non-Operating Revenues	<u>290,542</u>	<u>3,862</u>	<u>294,404</u>
Net Income (Loss)	(29,446)	3,573	(25,873)
Retained Earnings (Deficit) at Beginning of Year	<u>(463,311)</u>	<u>95,822</u>	<u>(367,489)</u>
Retained Earnings (Deficit) at End of Year	(492,757)	99,395	(393,362)
Contributed Capital at Beginning and End of Year	<u>668,433</u>		<u>668,433</u>
Total Fund Equity at End of Year	<u>\$175,676</u>	<u>\$99,395</u>	<u>\$275,071</u>

See accompanying notes to the general purpose financial statements

Union Local School District
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2002

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i><u>Revenues:</u></i>			
Sales	\$236,400	\$203,744	(\$32,656)
Charges for Services			
Operating Grants	232,000	227,062	(4,938)
Interest			
Other Revenues	350	749	399
Total Revenues	468,750	431,555	(37,195)
<i><u>Expenses:</u></i>			
Salaries	161,050	161,050	0
Fringe Benefits	80,000	79,993	7
Purchased Services	250	291	(41)
Materials and Supplies	216,400	216,341	59
Other	900	896	4
Total Expenses	458,600	458,571	29
Excess of Revenues Under Expenditures	10,150	(27,016)	(37,166)
Advances In	56,250	27,016	(29,234)
Excess of Revenues Under Expenses and Advances	66,400	0	(66,400)
Fund Equity at Beginning of Year			
Fund Equity at End of Year	\$66,400	\$0	(\$66,400)

See accompanying notes to the general purpose financial statements

Internal Service Fund			Totals Proprietary Fund Types		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$	\$	\$	\$236,400	\$203,744	(\$32,656)
221,493	223,301	1,808	221,493	223,301	1,808
4,935	3,862	(1,073)	232,000	227,062	(4,938)
			4,935	3,862	(1,073)
			350	749	399
226,428	227,163	735	695,178	658,718	(36,460)
			161,050	161,050	0
215,747	215,361	386	295,747	295,354	393
12,622	12,929	(307)	12,872	13,220	(348)
			216,400	216,341	59
			900	896	4
228,369	228,290	79	686,969	686,861	108
(1,941)	(1,127)	814	8,209	(28,143)	(36,352)
			56,250	27,016	(29,234)
(1,941)	(1,127)	814	64,459	(1,127)	(65,586)
109,497	109,497	0	109,497	109,497	0
\$107,556	\$108,370	\$814	\$173,956	\$108,370	(\$65,586)

Union Local School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2002

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
<i><u>Decrease in Cash and Cash Equivalents:</u></i>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$203,744	\$	\$203,744
Cash Received from Quasi-External Transactions with Other Funds		223,301	223,301
Other Operating Revenues	749		749
Cash Payments to Suppliers for Goods and Services	(216,341)		(216,341)
Cash Payments for Employee Services	(161,050)		(161,050)
Cash Payments for Employee Benefits	(79,993)	(215,361)	(295,354)
Cash Payments for Purchased Services	(291)	(12,929)	(13,220)
Other Operating Expenses	(896)		(896)
Net Cash Used in Operating Activities	<u>(254,078)</u>	<u>(4,989)</u>	<u>(259,067)</u>
<i><u>Cash Flows from Noncapital Financing Activities:</u></i>			
Operating Grants Received	227,062		227,062
Long Term Advances from Other Funds	27,016		27,016
Net Cash Provided by Noncapital Financing Activities	<u>254,078</u>	<u>0</u>	<u>254,078</u>
<i><u>Cash Flows from Investing Activities:</u></i>			
Interest		3,862	3,862
Net Cash Provided by Investing Activities	<u>0</u>	<u>3,862</u>	<u>3,862</u>
Net Decrease in Cash and Cash Equivalents	0	(1,127)	(1,127)
Cash and Cash Equivalents at Beginning of Year	0	109,497	109,497
Cash and Cash Equivalents at End of Year	<u>\$0</u>	<u>\$108,370</u>	<u>\$108,370</u>
<i><u>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</u></i>			
Operating Loss	<u>(\$319,988)</u>	<u>(\$289)</u>	<u>(\$320,277)</u>
<i><u>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</u></i>			
Depreciation	21,619		21,619
Donated Commodities Used	53,789		53,789
Changes in Assets and Liabilities:			
Decrease in Inventory Held for Resale	1,736		1,736
Decrease in Accrued Wages and Benefits	(4,113)		(4,113)
Increase in Compensated Absences	1,318		1,318
Decrease in Intergovernmental Payable	(8,439)		(8,439)
Decrease in Claims Payable		(4,700)	(4,700)
Total Adjustments	<u>65,910</u>	<u>(4,700)</u>	<u>61,210</u>
Net Cash Used in Operating Activities	<u>(\$254,078)</u>	<u>(\$4,989)</u>	<u>(\$259,067)</u>

Non-Cash Transactions: Federal Donated Commodities received during Fiscal Year 2002 in the enterprise funds totaled \$63,480

See accompanying notes to the general purpose financial statements

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 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 357th largest in the State of Ohio (among 613 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 1,558 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 three instructional buildings, one administrative building, and one garage.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government 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.

The School District participates in the Belmont-Harrison Vocational School, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), and the East Central Ohio Special Education Regional Resource Center (ECO-SERRC), which are defined as jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ohio School Plan, which are defined as insurance purchasing pools, and the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, which is defined as 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:

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

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

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

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

Proprietary Fund Types:

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

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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 enterprise funds operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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 fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which 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 nonexchange transactions must also be available before it can be recognized.

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

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

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

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

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

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
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the function level for the General Fund, and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has the authority to further allocate fund appropriations passed by the Board of Education. Advances In and Out are not required to be budgeted since they represent a temporary cash flow and are intended to be repaid.

Tax Budget:

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

By no later than January 20, the Board-adopted budget is filed with the 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 amended certificate at the time final appropriations were passed.

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. 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 total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year, 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.

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

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

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$15,290, which includes \$12,084 assigned from other School District funds. The special revenue and capital projects funds received interest revenue of \$853 and \$8,567, respectively.

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

The Miscellaneous Federal Funds Special Revenue Fund made disbursements in excess of its' equity interest in the cash management pool. The amount of this excess is reported as a liability to the general fund.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for textbook and instructional materials purchases. See Note 19 for additional information regarding set-asides.

F. Estimates

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

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. Inventory is reported using the consumption method. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Prepaid Items

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

I. 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.

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. Interest incurred during the construction of general fixed assets is not capitalized.

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.

J. 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.

K. Compensated Absences

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

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

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

L. 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 year-end are considered not to have been paid with current 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 fund operations are reported as liabilities in the appropriate proprietary funds.

M. 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.

N. 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, advances, property taxes, and textbooks and materials.

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for advances is for long-term advances between funds, and the reserve for textbooks and materials is for money required to be set-aside by statute to be utilized for instructional textbooks and materials.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds prior to fiscal year 2001, 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. There was no change in contributed capital during this fiscal year.

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. Capital contributions from other governments and private sources are now recorded as revenues and are reported as increases in retained earnings based on new guidelines established by GASB Statement 33, "Accounting and Reporting for Nonexchange Transactions." Capital contributions from other funds are still reported as additions to contributed capital.

P. 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 or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – PRIOR PERIOD RESTATEMENT

There was an increase of \$29,839 for capital leases payable in the general long-term obligations account group that was for leases entered into in prior years that were not capitalized as of June 30, 2001. This restatement had the effect of increasing the total liabilities in the general long term obligations account group from \$3,986,173 to \$4,016,012. The recognition of these leases also increased the general fixed assets account group in the amount of \$66,750 for the net present value of the minimum lease payments at the inception of the lease. This restatement had the effect of increasing the assets in the general fixed assets account group from \$22,301,175 to \$22,367,925.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability:

At June 30, 2002, the following funds had deficit fund balances:

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

	Deficit Fund Balance
General Fund	\$658,826
<u>Special Revenue Funds:</u>	
Miscellaneous State Funds	3,903
Miscellaneous Federal Funds	38,810

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 Miscellaneous State and Federal Funds' deficit fund balances were created by the application of generally accepted accounting principles, as well as a deficit cash balance in the Miscellaneous Federal Funds Special Revenue Fund. These funds receive transfers from the General Fund when cash is needed rather than when accruals occur.

The General Fund had appropriations in excess of estimated revenues of \$13,661 contrary to section 5705.39, Revised Code. The School District will monitor estimated revenue levels in the future to ensure appropriations are not in excess of the amount available.

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 (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - 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 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. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$94,569	(\$90,529)	\$63,588	(\$24,439)	\$23,292
Revenue Accruals	(17,972)	(42,640)	(37)	0	0
Expenditure Accruals	25,810	(22,304)	0	(59,817)	(18,500)
Interest and Fiscal Charges	0	0	(412)	0	0
Advances Out	(27,016)	0	0	0	0
Residual Equity Transfers	0	49,000		(49,000)	
Encumbrances	<u>(46,553)</u>	<u>(20,634)</u>	<u>0</u>	<u>(26,537)</u>	<u>0</u>
Budget Basis	<u>\$28,838</u>	<u>(\$127,107)</u>	<u>\$63,139</u>	<u>(\$159,793)</u>	<u>\$4,792</u>

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

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	(\$29,446)	\$3,573
Revenue Accrual	(61,744)	0
Expense Accrual	44,291	0
Inventory Held for Resale	(1,736)	0
Claims	0	(4,700)
Advances In	27,016	0
Depreciation Expense	<u>21,619</u>	<u>0</u>
Budget Basis	<u>\$0</u>	<u>(\$1,127)</u>

NOTE 6 - CASH AND CASH EQUIVALENTS

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

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

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

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

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

Protection of 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, surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's 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 interests rated in either the two highest rating classification 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 specific dealers and institutions.

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

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.

The following information classifies deposits by categories of risk as defined in GASB Statement 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 \$994,521 and the bank balance was \$1,142,525. Of the bank balance:

\$100,000 was covered by federal depository insurance; and

\$1,042,525 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.

At June 30, 2002, the School District's internal service fund had a balance of \$108,370 with OME-RESA, a jointly governed organization (See Note 17). The money is held by the claims service pool 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.

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 year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

Real property taxes are levied after April 1, 2002 on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

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

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

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

	2001 Second Half Collections		2002 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$78,770,440	81.6%	\$80,388,740	86.0%
Public Utility Personal	12,988,700	13.5%	7,708,110	8.2%
Tangible Personal	4,750,960	4.9%	5,385,800	5.8%
	\$96,510,100	100.0%	\$93,482,650	100.0%
Tax Rate per \$1,000 of assessed valuation		\$32.50		\$32.50

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

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

The School District receives property taxes from Belmont and Harrison Counties. The County Auditors periodically advance to the School District its' portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002 are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The total amount available as an advance, at June 30, 2002 was \$162,482 and is recognized as revenue. Of the total, \$137,934 was available to the General Fund, \$3,068 was available to the Classroom Maintenance Special Revenue Fund, and \$21,480 was available to the Debt Service Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts, 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 year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

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

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund - Homestead/Rollback	\$12,909
Special Revenue Funds:	
Title VIB	51,305
Title VI	2,507
Total Special Revenue Funds	53,812
Debt Service Fund - Homestead/Rollback	160
Total Intergovernmental Receivables	<u>\$66,881</u>

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$506,564
Less Accumulated Depreciation	<u>(157,633)</u>
Net Fixed Assets	<u>\$348,931</u>

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

<u>Asset Category</u>	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/02</u>
Land and Improvements	\$1,842,760	\$0	\$0	\$1,842,760
Buildings and Improvements	17,591,319	0	0	17,591,319
Furniture, Fixtures and Equipment	1,835,314	268,243	0	2,103,557
Vehicles	1,098,532	0	0	1,098,532
Totals	<u>\$22,367,925</u>	<u>\$268,243</u>	<u>\$0</u>	<u>\$22,636,168</u>

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 2002, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 18). The Union Local School District contracted with the Ohio School Plan for liability insurance. The policy has a liability per occurrence limit ranging from \$10,000 to \$1,000,000 and a \$3,000,000 aggregate annual limit.

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

The School District contracted with Indiana Insurance for property coverage. The property insurance policy is a replacement cost policy with a \$2,500 deductible. The total coverage of the policy is \$33,993,850.

The School District contracted with Nationwide Insurance for fleet insurance. The policy has a liability per occurrence of \$1,000,000 and a deductible of \$250.

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 \$8,975 reported in the internal service fund at June 30, 2002 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2001	\$10,861	\$356,584	\$353,770	\$13,675
2002	13,675	210,661	215,361	8,975

For fiscal year 2002, 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 Employee Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$63,964, \$38,641 and \$50,614 respectively; 51.38 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$131,507 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$544,818, \$503,071 and \$267,656, respectively; 82.2 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$142,892 represents the unpaid contribution for fiscal year 2002, 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, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$258,071 for fiscal year 2002.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$184,339.

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

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers 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. Health/Life 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.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District has entered into capitalized leases for equipment and furniture and fixtures.

The leases meet 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.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$235,968, which is equal to 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 2002 totaled \$28,998 in the governmental funds.

Future minimum lease payments through 2005 are as follows:

<u>Year</u>	<u>Amount</u>
2003	\$70,182
2004	59,792
2005	<u>43,511</u>
Total	173,485
Less: Amount Representing Interest	<u>(22,028)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$151,457</u></u>

The outstanding Gasoline Tank Lease in the amount of \$5,312 does not have a repayment schedule. Future repayments vary based upon fuel purchases in each fiscal year until the balance is fully repaid.

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

NOTE 15 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Principal Outstanding 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/02</u>
General Obligation Bond - 1997 Variable Interest	\$3,230,000	\$0	\$80,000	\$3,150,000
Other Long Term Obligations:				
Compensated Absences	660,738	251,752	176,251	736,239
Pension Obligation	69,325	95,407	69,325	95,407
Retirement Incentive	20,000	0	20,000	0
Capital Leases	<u>35,949</u>	<u>149,818</u>	<u>28,998</u>	<u>156,769</u>
Total General Long-Term Obligations	<u>\$4,016,012</u>	<u>\$496,977</u>	<u>\$374,574</u>	<u>\$4,138,415</u>

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation, which represent contractually required pension contributions, 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.

The School District's overall legal debt margin was \$5,263,439 with an unvoted debt margin of \$93,483 at June 30, 2002.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2002 are as follows:

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

Fiscal Year Ending June 30, 2002	Principal	Interest	Total
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	120,000	161,426	281,426
2008-2019	2,640,000	1,084,238	3,724,238
Total	<u>\$3,150,000</u>	<u>\$1,955,535</u>	<u>\$5,105,535</u>

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2002 receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$9,652	\$0
Special Revenue Fund:		
Miscellaneous Federal Funds	0	9,652
Total All Funds	<u>\$9,652</u>	<u>\$9,652</u>
	Advances To Other Funds	Advances From Other Funds
General Fund	\$134,551	\$0
Enterprise Fund:		
Food Service Fund	0	134,551
Total All Funds	<u>\$134,551</u>	<u>\$134,551</u>

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 district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2002, 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 Education 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 district's 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 2002, the total amount paid to OME-RESA from the School District was \$21,058. 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 Ohio Mid-Eastern Regional Educational Service Agency, Debra Angelo, who serves as Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

East Central Ohio Special Education Regional Resource Center (ECO-SERRC) – The East Central Ohio Special Education Regional Resource Center is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio. The ECO-SERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECO-SERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECO-SERRC. Financial information can be obtained by contacting Julie Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

NOTE 18 – PUBLIC ENTITY POOLS

A. Insurance Purchasing Pools

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.

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

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 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, except the amount received as refunds from the Bureau of Workers' Compensation, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years.

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, 2002.

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2001	(\$3,850)	\$0
Current Year Set-aside Requirement	193,744	193,744
Current Year Offsets	0	(43,159)
Qualifying Disbursements	<u>(139,431)</u>	<u>(166,393)</u>
Totals	<u>\$50,463</u>	<u>(\$15,808)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$50,463</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$50,463</u>	<u>\$0</u>

The amount of the set-aside reserve balance must be added to 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 reduced the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

NOTE 20 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

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

NOTE 21 – STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>						
<i>Passed-Through State Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	NA	\$0	\$53,738	\$0	\$33,671
School Breakfast Program	10.553	046011-05-PU-01	5,588		5,588	
	10.553	046011-05-PU-02	41,986		41,986	
Total School Breakfast Program			47,574	0	47,574	0
National School Lunch Program	10.555	046011-LL-P4-01	21,165		21,165	
	10.555	046011-LL-P4-02	142,775		142,775	
Total National School Lunch Program			163,940	0	163,940	0
Total United States Department of Agriculture - Nutrition Cluster			211,514	53,738	211,514	33,671
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>						
<i>Passed-Through State Department of Education:</i>						
Title I - Grants to Local Educational Agencies	84.010	046011-C1-S1-01	1,528		21,628	
	84.010	046011-C1-S1-02	364,560		364,560	
Total Title I - Grants to Local Educational Agencies			366,088	0	386,188	0
Title VI-B - Special Education - Grants to States	84.027	046011-6B-SF-01-P	4,699		25,501	
	84.027	046011-6B-SF-02-P	76,959		98,426	
Total Title VI-B - Special Education - Grants to States			81,658	0	123,927	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	046011-DR-S1-02	6,407	0	6,407	0
Goals 2000 - State and Local Education Systemic Improvement	84.276	046011-G2-S1-01			7,895	
	84.276	046011-G2-S2-01			16,603	
Total Goals 2000 - State and Local Education Systemic Improvement			0	0	24,498	0
Eisenhower Professional Development State Grants	84.281	046011-MS-S1-02			883	
	84.281	046011-MS-S1-02	11,216		11,096	
Total Eisenhower Professional Development State Grants			11,216	0	11,979	0
Innovative Education Program Strategies	84.298	046011-C2-S1-00			451	
	84.298	046011-C2-S1-01	1,496		1,946	
	84.298	046011-C2-S1-02	5,688		4,148	
Total Innovative Education Program Strategies			7,184	0	6,545	0
Title VI of the ESEA, Class Size Reduction Grant	84.340	046011-CR-S1-01			4,825	
	84.340	046011-CR-S1-02	65,771		62,694	
Total Title VI of the ESEA, Class Size Reduction Grant			65,771	0	67,519	0
Total United States Department of Education			538,324	0	627,063	0
<u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed-Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program - Community Alternative Funding System - Title XIX	93.778	N/A	11,108		11,108	
Total United States Department of Health and Human Services			11,108	0	11,108	0
Total Federal Awards Receipts and Expenditures			\$760,946	\$53,738	\$849,685	\$33,671

The 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 THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2002**

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, 2002, 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 the Board of Education:

We have audited the 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, 2002, and have issued our report thereon dated January 13, 2003. 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 general purpose 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 2002-11007-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated January 13, 2003.

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 general purpose 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.

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

Betty D. Montgomery
Auditor of State

January 13, 2003



**Auditor of State
Betty D. Montgomery**

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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 the Board of Education:

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, 2002. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control over Compliance

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

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

This report is intended for the information and use of 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.



Betty D. Montgomery
Auditor of State

January 13, 2003

UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS

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

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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

2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2002-11007-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

As of June 30, 2002, the Title VI-B Fund had a negative fund cash balance of \$21,467.

As of February 28, 2002, the Food Service Fund, Educational Management Information System Fund, and Title I Fund had negative fund cash balances of \$39,439, \$1,008, and \$4,113, respectively.

As of October 31, 2001, the Food Service Fund, Disadvantaged Pupil Impact Aid Fund, Title VI-B Fund, and Title VI Classroom Size Reduction Fund had negative fund cash balances of \$60,648, \$9,308, \$7,451, and \$18,441, respectively.

We recommend the School District monitor fund balances to ensure that monies from one fund are not used to pay expenses incurred by another fund. To cover temporary cash flow shortages, the School District may advance money from other funds to prevent deficits. The School District can refer to Auditor of State Bulletin 97-003.

3. FINDINGS FOR FEDERAL AWARDS

None

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-11007-001	Ohio Rev. Code Section 5705.10 states money paid into one fund may only be used for the purposes for which such fund was established.	No	Not Corrected; Noncompliance citation reissued as finding number 2002-11007-001

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
JUNE 30, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-11007-001	The School District Treasurer plans to monitor fund balances to ensure monies from one fund are not used to pay the obligations of another fund.	June 30, 2003	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
FEBRUARY 11, 2003**