



***UNION SCIOTO
LOCAL SCHOOL DISTRICT***

ROSS COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2002

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS



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**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Union Scioto Local School District, Ross County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Union Scioto Local School District (the District) as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 11, 2002

Union Scioto 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>				
Equity in Pooled Cash and Cash Equivalents	\$1,470,208	\$385,590	\$496,168	\$10,534,859
Cash and Cash Equivalents With Fiscal Agents	0	0	0	0
Receivables:				
Property Taxes	2,241,608	47,824	484,807	0
Income Taxes	340,583	0	0	0
Accounts	10,026	749	0	0
Intergovernmental	0	113,736	0	4,863,805
Interfund Receivable	5,409	0	0	0
Prepaid Items	18,060	0	0	494
Materials and Supplies Inventory	0	8,672	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	62,919	0	0	0
Fixed Assets	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
 Total Assets and Other Debits	 \$4,148,813	 \$556,571	 \$980,975	 \$15,399,158

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
\$17,413	\$52,955	\$0	\$0	\$12,957,193
61,098	0	0	0	61,098
0	0	0	0	2,774,239
0	0	0	0	340,583
0	0	0	0	10,775
390,558	0	0	0	5,368,099
0	0	0	0	5,409
0	0	0	0	18,554
0	0	0	0	8,672
0	0	0	0	62,919
0	0	35,547,676	0	35,547,676
0	0	0	531,694	531,694
0	0	0	5,898,691	5,898,691
<u>\$469,069</u>	<u>\$52,955</u>	<u>\$35,547,676</u>	<u>\$6,430,385</u>	<u>\$63,585,602</u>

(continued)

Union Scioto 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
<i>Liabilities,</i>				
<i><u>Fund Equity and Other Credits:</u></i>				
<i><u>Liabilities:</u></i>				
Accounts Payable	\$109,510	\$9,392	\$0	\$0
Contracts Payable	0	0	0	1,193,757
Accrued Wages and Benefits	1,285,352	44,143	0	0
Compensated Absences Payable	218,115	3,495	0	0
Retainage Payable	0	0	0	541,900
Intergovernmental Payable	197,880	9,791	0	21,221
Interfund Payable	0	5,409	0	0
Deferred Revenue	2,083,718	157,416	449,281	4,863,805
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,894,575	229,646	449,281	6,620,683
<i><u>Fund Equity and Other Credits:</u></i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	148,252	23,180	0	8,290,785
Reserved for Inventory	0	8,672	0	0
Reserved for Property Taxes	157,890	3,472	35,526	0
Reserved for Textbooks	22,556	0	0	0
Reserved for Budget Stabilization	40,363	0	0	0
Unreserved:				
Undesignated	(114,823)	291,601	496,168	487,690
Total Fund Equity and Other Credits	254,238	326,925	531,694	8,778,475
Total Liabilities, Fund Equity and Other Credits	\$4,148,813	\$556,571	\$980,975	\$15,399,158

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
		\$0	\$0	\$118,902
		0	0	1,193,757
		0	0	1,329,495
		0	1,246,494	1,468,104
		0	0	541,900
		0	125,544	354,436
		0	0	5,409
		0	0	7,554,220
	50,766	0	0	50,766
201,237	0	0	0	201,237
0	0	0	76,321	76,321
0	0	0	175,000	175,000
0	0	0	4,807,026	4,807,026
<u>201,237</u>	<u>50,766</u>	<u>0</u>	<u>6,430,385</u>	<u>17,876,573</u>
0	0	35,547,676	0	35,547,676
267,832	0	0	0	267,832
0	0	0	0	8,462,217
0	0	0	0	8,672
0	0	0	0	196,888
0	0	0	0	22,556
0	0	0	0	40,363
0	2,189	0	0	1,162,825
<u>267,832</u>	<u>2,189</u>	<u>35,547,676</u>	<u>0</u>	<u>45,709,029</u>
<u>\$469,069</u>	<u>\$52,955</u>	<u>\$35,547,676</u>	<u>\$6,430,385</u>	<u>\$63,585,602</u>

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

	Governmental Fund Types				Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
<u>Revenues:</u>						
Property Taxes	\$2,152,481	\$48,594	\$581,728	\$0	\$0	\$2,782,803
Income Taxes	749,835	0	0	0	0	749,835
Intergovernmental	7,963,380	640,241	63,318	20,720,494	0	29,387,433
Interest	66,126	0	0	238,226	54	304,406
Tuition and Fees	113,590	0	0	0	0	113,590
Rent	1,613	0	0	0	0	1,613
Extracurricular Activities	6,147	165,180	0	0	0	171,327
Gifts and Donations	10,000	39,460	0	0	2,000	51,460
Customer Services	0	256,176	0	0	0	256,176
Miscellaneous	20,515	23,188	0	0	0	43,703
Total Revenues	11,083,687	1,172,839	645,046	20,958,720	2,054	33,862,346
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	6,327,871	139,457	0	14,614	0	6,481,942
Special	504,472	297,503	0	0	0	801,975
Vocational	19,826	0	0	0	0	19,826
Adult/Continuing	0	6,976	0	0	0	6,976
Support Services:						
Pupils	243,897	6,833	0	0	2,000	252,730
Instructional Staff	393,105	48,330	0	4,301	0	445,736
Board of Education	371,063	1,828	0	0	0	372,891
Administration	918,108	78,924	0	0	0	997,032
Fiscal	272,524	8,853	9,490	0	0	290,867
Operation and Maintenance of Plant	894,092	0	0	0	0	894,092
Pupil Transportation	623,044	0	0	0	0	623,044
Central	2,500	0	0	34,000	0	36,500
Operation of Non-Instructional Services	5,736	521,280	0	0	0	527,016
Extracurricular Activities	175,124	121,059	0	0	0	296,183
Capital Outlay	13,514	0	0	21,426,676	0	21,440,190
Debt Service:						
Principal Retirement	25,959	0	335,000	0	0	360,959
Interest and Fiscal Charges	14,799	0	270,416	0	0	285,215
Total Expenditures	10,805,634	1,231,043	614,906	21,479,591	2,000	34,133,174
Excess of Revenues Over (Under) Expenditures	278,053	(58,204)	30,140	(520,871)	54	(270,828)
<u>Other Financing Sources (Uses):</u>						
Inception of Capital Lease	13,514	0	0	0	0	13,514
Operating Transfers In	0	46,526	0	0	0	46,526
Operating Transfers Out	(485,486)	0	0	0	0	(485,486)
Total Other Financing Sources (Uses)	(471,972)	46,526	0	0	0	(425,446)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(193,919)	(11,678)	30,140	(520,871)	54	(696,274)
Fund Balances at Beginning of Year	448,157	331,066	501,554	9,299,346	2,135	10,582,258
Increase in Reserve for Inventory	0	7,537	0	0	0	7,537
Fund Balances at End of Year	\$254,238	\$326,925	\$531,694	\$8,778,475	\$2,189	\$9,893,521

See accompanying notes to the general purpose financial statements

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$2,130,798	\$2,130,798	\$0	\$57,206	\$48,516	(\$8,690)
Income Taxes	761,519	761,519	0	0	0	0
Intergovernmental	7,947,294	7,947,294	0	637,472	643,373	5,901
Interest	66,126	66,126	0	0	0	0
Tuition and Fees	115,650	115,650	0	0	0	0
Rent	1,613	1,613	0	0	0	0
Extracurricular Activities	0	0	0	171,205	171,205	0
Gifts and Donations	10,000	10,000	0	42,970	42,970	0
Customer Services	0	0	0	256,176	256,176	0
Miscellaneous	24,990	24,990	0	23,165	23,165	0
Total Revenues	11,057,990	11,057,990	0	1,188,194	1,185,405	(2,789)
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	6,137,038	6,137,038	0	151,007	151,007	0
Special	486,316	486,316	0	302,147	302,147	0
Vocational	19,803	19,803	0	0	0	0
Adult/Continuing	0	0	0	6,965	6,965	0
Support Services:						
Pupils	274,963	274,963	0	7,265	7,265	0
Instructional Staff	392,350	392,350	0	49,237	49,237	0
Board of Education	379,894	379,894	0	1,828	1,828	0
Administration	931,839	931,839	0	82,871	82,871	0
Fiscal	265,320	265,320	0	8,824	8,824	0
Operation and Maintenance of Plant	893,497	893,497	0	0	0	0
Pupil Transportation	718,805	718,805	0	0	0	0
Central	2,500	2,500	0	0	0	0
Operation of Non-Instructional Services	5,695	5,695	0	477,764	477,764	0
Extracurricular Activities	159,313	159,313	0	138,206	138,206	0
Capital Outlay	6,537	6,537	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	10,673,870	10,673,870	0	1,226,114	1,226,114	0
Excess of Revenues Over (Under) Expenditures	384,120	384,120	0	(37,920)	(40,709)	(2,789)
<u>Other Financing Sources (Uses):</u>						
Refund of Prior Year Expenditures	16,208	16,208	0	23	23	0
Operating Transfers In	0	0	0	46,526	46,526	0
Operating Transfers Out	(488,446)	(488,446)	0	0	0	0
Total Other Financing Sources (Uses)	(472,238)	(472,238)	0	46,549	46,549	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(88,118)	(88,118)	0	8,629	5,840	(2,789)
Fund Balances at Beginning of Year	1,289,772	1,289,772	0	333,094	333,094	0
Prior Year Encumbrances Appropriated	112,142	112,142	0	15,828	15,828	0
Fund Balances at End of Year	\$1,313,796	\$1,313,796	\$0	\$357,551	\$354,762	(\$2,789)

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$584,348	\$584,348	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
63,318	63,318	0	20,735,596	20,735,596	0	0	0	0
0	0	0	238,226	238,226	0	54	54	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	2,000	2,000	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>647,666</u>	<u>647,666</u>	<u>0</u>	<u>20,973,822</u>	<u>20,973,822</u>	<u>0</u>	<u>2,054</u>	<u>2,054</u>	<u>0</u>
0	0	0	15,108	15,108	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	2,000	2,000	0
0	0	0	12,978	12,978	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
9,490	9,490	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	34,000	34,000	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	28,305,933	28,305,933	0	0	0	0
335,000	335,000	0	0	0	0	0	0	0
<u>270,416</u>	<u>270,416</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>614,906</u>	<u>614,906</u>	<u>0</u>	<u>28,368,019</u>	<u>28,368,019</u>	<u>0</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>
<u>32,760</u>	<u>32,760</u>	<u>0</u>	<u>(7,394,197)</u>	<u>(7,394,197)</u>	<u>0</u>	<u>54</u>	<u>54</u>	<u>0</u>
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
32,760	32,760	0	(7,394,197)	(7,394,197)	0	54	54	0
463,408	463,408	0	8,904,855	8,904,855	0	2,135	2,135	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>733,416</u>	<u>733,416</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$496,168</u>	<u>\$496,168</u>	<u>\$0</u>	<u>\$2,244,074</u>	<u>\$2,244,074</u>	<u>\$0</u>	<u>\$2,189</u>	<u>\$2,189</u>	<u>\$0</u>

Union Scioto Local School District
Statement of Revenues, Expenses and
Changes in Retained Earnings
Internal Service Fund
For the Fiscal Year Ended June 30, 2002

	<u>Self-Insurance</u>
<u>Operating Revenues:</u>	
Charges for Services	<u>\$1,510,978</u>
<u>Operating Expenses:</u>	
Purchased Services	130,724
Claims	<u>1,900,180</u>
Total Operating Expenses	<u>2,030,904</u>
Operating Loss	(519,926)
Operating Transfers In	<u>438,960</u>
Net Loss	(80,966)
Retained Earnings at Beginning of Year	<u>348,798</u>
Retained Earnings at End of Year	<u><u>\$267,832</u></u>

See accompanying notes to the general purpose financial statements

Union Scioto Local School District
Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Internal Service Fund
For the Fiscal Year Ended June 30, 2002

	Self-Insurance Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$17,861	\$17,861	\$0
<u>Expenses:</u>			
Purchased Services	457,821	457,821	0
Excess of Revenues Under Expenses	(439,960)	(439,960)	0
Operating Transfers In	438,960	438,960	0
Excess of Revenues Over Expenses and Transfers	(1,000)	(1,000)	0
Fund Equity at Beginning of Year	0	0	0
Prior Year Encumbrances Appropriated	1,000	1,000	0
Fund Equity at End of Year	\$0	\$0	\$0

See accompanying notes to the general purpose financial statements

Union Scioto Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2002

	<u>Self-Insurance</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Quasi-External Transactions with Other Funds	\$1,510,978
Cash Payments to Suppliers for Goods and Services	(130,724)
Cash Payments for Claims	<u>(1,886,783)</u>
Net Cash from Operating Activities	<u>(506,529)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Short-Term Loans to Other Governments	(390,558)
Short-Term Loans from Other Governments	453,361
Operating Transfers In	<u>438,960</u>
Net Cash from Noncapital Financing Activities	<u>501,763</u>
Net Decrease in Cash and Cash Equivalents	(4,766)
Cash and Cash Equivalents at Beginning of Year	<u>83,277</u>
Cash and Cash Equivalents at End of Year	<u><u>\$78,511</u></u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$519,926)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
<u>Changes in Assets and Liabilities:</u>	
Increase in Claims Payable	<u>13,397</u>
Net Cash Used for Operating Activities	<u><u>(\$506,529)</u></u>

See accompanying notes to the general purpose financial statements

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1935 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 80 square miles. It is located in Ross County, and includes all of Union and Scioto Townships. It is staffed by 72 non-certificated employees, 116 certificated full-time teaching personnel and 15 administrative employees who provide services to 1,945 students and other community members. The School District currently operates four instructional buildings, one administrative building, one maintenance building, and one garage.

Reporting Entity:

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

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

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

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

The School District participates in six organizations, four of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a claims servicing pool. The South Central Ohio Computer Association, Pickaway-Ross County Joint Vocational School, Coalition of Rural and Appalachian Schools, and Great Seal Education Network of Tomorrow are defined as jointly governed organizations. The Ohio School Boards Association Workers' Compensation Group Rating Plan is defined as an insurance purchasing pool. The Ross County School Employees Insurance Consortium is defined as a claims servicing pool. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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).

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Type:

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

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

Fiduciary Fund Types:

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

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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.

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

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

C. Budgetary Process

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Self-Insurance Internal Service fund has only the dental insurance portion of the fund budgeted and shown as part of the School District's cash activity; the medical insurance activity is handled by a fiscal agent and is budgeted within the funds paying medical premiums. The primary level of budgetary control is at the fund level. Any budgetary modification at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer. Because the activity of agency funds is not budgeted, transfers-in and transfers-out do not equal on a budgetary basis due to a transfer of \$2,960 made to the Agency Funds from the General Fund.

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002. Before year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year in all of the funds except a couple of the special revenue funds.

Appropriations:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. The balance of the School District's funds held by the fiscal agent at June 30, 2002 is presented as "Cash and Cash Equivalents With Fiscal Agents" on the balance sheet.

During fiscal year 2002, the School District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and repurchase agreements. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

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

Following Ohio 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 \$66,126, which includes \$30,485 assigned from other School District funds.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Inventory

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

F. 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.

G. Fixed Assets and Depreciation

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

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

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

H. Compensated Absences

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

I. Accrued Liabilities and Long-Term Obligations

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

J. Interfund Transactions

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

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

K. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. See Note 21 for the calculations of the year-end restricted asset balances and the corresponding fund balance reserves.

L. Fund Balance Reserves

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

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

M. Estimates

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY

Fund balances at June 30, 2002, included the following individual fund deficits:

Special Revenue Funds:	
Food Service	\$45,742
Summer Intervention	10
Title I	1,398
Early Childhood Grant	5,409
Title VI-R	245

The deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The School District is monitoring the sales in the food services fund to see if an increase in charges is necessary.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

5. The School District does not budget for the activities of the fiscal agent who collects and holds assets for the payment of medical claims. However, the activities of the fiscal agent are included in the internal service fund for GAAP reporting purposes.
6. Proceeds from bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP Basis)

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$193,919)	(\$11,678)	\$30,140	(\$520,871)	\$54
Adjustments:					
Revenue Accruals	(25,697)	12,566	2,620	15,102	0
Expenditure Accruals	351,114	34,785	0	1,402,357	0
Transfers	(2,960)	0	0	0	0
Inception of Capital Lease	(13,514)	0	0	0	0
Other Financing Sources	16,208	23	0	0	0
Encumbrances	(219,350)	(29,856)	0	(8,290,785)	0
Budget Basis	<u>(\$88,118)</u>	<u>\$5,840</u>	<u>\$32,760</u>	<u>(\$7,394,197)</u>	<u>\$54</u>

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

	Self-Insurance Fund
GAAP Basis	(\$288,108)
Adjustments:	
Expense Accruals	(89,143)
Non-Budgeted Activity	393,665
Encumbrances	(17,414)
Budget Basis	<u>(\$1,000)</u>

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

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

At fiscal year end, the School District had \$2,500 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

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

Deposits: At year end, the carrying amount of the School District's deposits was (\$443,522) and the bank balance was \$501,029. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$401,029 was uninsured and uncollateralized. Although all statutory requirements for the deposit of the money had been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 3	Unclassified	Carrying/ Fair Value
STAR Ohio	\$0	\$10,296,397	\$10,296,397
Repurchase Agreement	3,225,835	0	3,225,835
	\$3,225,835	\$10,296,397	\$13,522,232

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$13,081,210	\$0
Cash on Hand	(2,500)	0
<i>Investments:</i>		
STAR Ohio	(10,296,397)	10,296,397
Repurchase Agreement	(3,225,835)	3,225,835
GASB Statement No. 3	(\$443,522)	\$13,522,232

NOTE 6 - PROPERTY TAXES

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

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.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

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 2002 with real property taxes.

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

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

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

NOTE 6 - PROPERTY TAXES (continued)

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

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

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$96,176,560	91.74%	\$112,360,010	93.42%
Public Utility	6,758,180	6.45%	5,865,840	4.88%
Tangible Personal Property	1,906,860	1.82%	2,043,020	1.70%
Total Assessed Value	<u>\$104,841,600</u>	<u>100.00%</u>	<u>\$120,268,870</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.92		\$36.80	

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 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 amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2002 was \$157,890 for the General Fund, \$3,472 for the Classroom Facilities Maintenance Special Revenue Fund and \$35,526 in the Debt Service Fund. All amounts are recognized as revenue in their respective funds.

NOTE 7 - INCOME TAX

The School District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2001, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 2002, consisted of property and income taxes, accounts (tuition, charges for services, and student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Special Revenue Funds:	
Student Assistance Program	\$672
Title I	97,627
Title VI-R	15,437
Total Special Revenue Funds	<u>113,736</u>
Capital Projects Funds:	
Classroom Facilities Maintenance	4,863,805
Internal Service Fund:	
Short-Term Loans Due From Other Governments	390,558
Total Intergovernmental Receivable	<u><u>\$5,368,099</u></u>

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

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

NOTE 9 - FIXED ASSETS

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

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$578,528	\$0	\$0	\$578,528
Buildings and Improvements	6,729,970	0	0	6,729,970
Furniture, Fixtures, and Equipment	2,861,527	107,279	59,983	2,908,823
Vehicles	1,538,270	60,400	0	1,598,670
Textbooks	504,048	0	0	504,048
Construction in Progress	2,222,564	21,005,073	0	23,227,637
Totals	<u>\$14,434,907</u>	<u>\$21,172,752</u>	<u>\$59,983</u>	<u>\$35,547,676</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 contracted with Indiana Insurance Company for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by Indiana Insurance Company is as follows:

Building and Contents-replacement cost (\$500 deductible)	\$28,260,764
Inland Marine Coverage (\$250 deductible)	84,455
Boiler and Machinery (\$1,000 deductible)	Replacement Cost
Builders Risk (\$2,500 deductible)	23,000,000
Crime Insurance (\$500 deductible)	25,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (no deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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.

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

NOTE 10 - RISK MANAGEMENT (continued)

The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through the Self-Insurance Internal Service Fund. The School District is a member of a claims servicing pool, consisting of eighteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$408,379 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 *GASB Statement No. 30 "Risk Financing Omnibus"*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2001	\$208,935	\$1,546,184	\$1,567,279	\$187,840
2002	187,840	1,900,180	1,886,783	201,237

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2002, 4.2 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 \$58,343, \$53,041, and \$56,760, respectively; 47.06 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$30,888 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 contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. 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 \$519,912, \$537,017, and \$298,464, respectively; 83.06 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$88,050 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, two of the five board of education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 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 \$246,274 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 of the premium.

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

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 9.8 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 was 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 \$158,718.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 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 currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Life and Accident Insurance

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

C. Deferred Compensation

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

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In fiscal year 2002, the School District entered into a new capital lease for office equipment. The lease is accounted for as a capital outlay expenditure in the General Fund with an offsetting amount reported as an other financing source, inception of capital lease. The School District also has other capital leases that are outstanding from prior years. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

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

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of furniture, fixtures and equipment have been capitalized in the general fixed assets account group in the amount of \$179,346. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$25,959 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	GLTOAG
2003	\$41,748
2004	41,748
2005	8,721
2006	1,488
2007	992
Total	94,697
Less: Amount Representing Interest	(18,376)
Present Value of Net Minimum Lease Payments	\$76,321

NOTE 15 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
Capital Leases Payable	\$88,766	\$13,514	\$25,959	\$76,321
Energy Conservation Loan - 1995 - 5.72%	230,000	0	55,000	175,000
Permanent Improvement Bond - 1995 - 5.75%	810,000	0	180,000	630,000
School Improvement Bonds - 2002 - 4.4% to 5.5%	4,251,477	25,549	100,000	4,177,026
Intergovernmental Payable	100,391	125,544	100,391	125,544
Compensated Absences Payable	1,376,823	0	130,329	1,246,494
Total General Long-Term Obligations	\$6,857,457	\$164,607	\$591,679	\$6,430,385

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

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

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

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

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

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

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

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

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

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

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

The serial bonds and capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal years 2011 and 2012. The maturity amount of the bonds is \$400,000. For fiscal year 2002, \$25,549 was accreted on the capital appreciation bonds for a total outstanding bond value for the entire issue of \$4,177,026 at fiscal year end.

The final maturity value of the bond issue is \$4,545,000.

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Term Bonds	Serial Bonds	Capital Appreciation Bonds	Interest	Total
2003	\$0	\$125,000	\$0	\$207,646	\$332,646
2004	0	140,000	0	201,715	341,715
2005	0	145,000	0	195,266	340,266
2006	0	155,000	0	188,403	343,403
2007	0	160,000	0	181,118	341,118
2008-2012	0	720,000	200,000	942,652	1,862,652
2013-2017	1,125,000	0	200,000	784,249	2,109,249
2018-2022	1,150,000	0	0	290,125	1,440,125
2023	325,000	0	0	8,937	333,937
Totals	<u>\$2,600,000</u>	<u>\$1,445,000</u>	<u>\$400,000</u>	<u>\$3,000,111</u>	<u>\$7,445,111</u>

Principal and interest requirements to retire the Energy Conservation Loan outstanding at June 30, 2002, are as follows:

Fiscal Year	Principal	Interest	Total
Ending June 30,			
2003	\$55,000	\$10,149	\$65,149
2004	60,000	6,978	66,978
2005	<u>60,000</u>	<u>3,480</u>	<u>63,480</u>
Totals	<u>\$175,000</u>	<u>\$20,607</u>	<u>\$195,607</u>

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

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the Permanent Improvement Bonds outstanding at June 30, 2002, are as follows:

Fiscal Year	Principal	Interest	Total
<u>Ending June 30,</u>	<u> </u>	<u> </u>	<u> </u>
2003	\$200,000	\$32,810	\$232,810
2004	210,000	20,150	230,150
2005	<u>220,000</u>	<u>6,820</u>	<u>226,820</u>
Totals	<u><u>\$630,000</u></u>	<u><u>\$59,780</u></u>	<u><u>\$689,780</u></u>

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

The School District's overall legal debt margin was \$6,017,172, the energy conservation legal debt margin was \$907,420 and the unvoted debt margin was \$120,269 at June 30, 2002.

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2002, an interfund receivable and payable, which resulted from a cash advance in a prior fiscal year follows:

	<u>Interfund</u>	<u>Interfund</u>
	<u>Receivable</u>	<u>Payable</u>
General Fund	<u>\$5,409</u>	<u>\$0</u>
Special Revenue Funds:		
Early Childhood Grant	<u>0</u>	<u>5,409</u>
Total All Funds	<u><u>\$5,409</u></u>	<u><u>\$5,409</u></u>

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers plus the fiscal agent. The School District paid SCOCA \$22,907 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is comprised of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District paid \$300 to the Coalition for services provided during the year. To obtain financial information write to the Coalition of Rural and Appalachian Schools at McCracken Hall Room 129 Ohio University, Athens, Ohio 45701-2979.

Great Seal Education Network of Tomorrow - The School District is a member of the Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601. The Great Seal Education Network of Tomorrow did not receive any funding from the School District during fiscal year 2002.

NOTE 18 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS

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

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

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

NOTE 19 - CONSTRUCTION COMMITMENTS

In June of 2001, the School District entered into multiple contracts for the design and construction of a new Middle School to be added onto the existing High School and also a new Elementary School building. The project also includes renovations to the existing High School building. The project is financed by bond proceeds and a school facilities grant in the amount of \$28,281,910 from the state of Ohio. The outstanding construction commitments at June 30, 2002 are:

Contractor	Contract Amount	Amount Expended	Balance At 6/30/02
Accurate Electric Construction Co.	\$1,420,978	\$698,613	\$722,365
A. I. C. Contracting	547,291	336,589	210,702
AMPAM Com Midwest	1,186,425	913,672	272,753
C. & T. Design & Equipment Co., Inc.	258,698	22,382	236,316
Construction System, Inc.	246,912	73,617	173,295
Crace Construction Co.	11,400,685	8,955,359	2,445,326
Fayette Fire & Safety Equipment Co.	628,295	303,310	324,985
Gandee & Assoc	928,000	383,569	544,431
George J. Igel Co.	998,602	974,293	24,309
Keen & Cross, Inc.	15,724	15,218	506
Lepi Enterprises	74,908	63,998	10,910
Pella Window & Door	150,591	0	150,591
Resun Leasing	433,710	340,344	93,366
Sauer, Inc	4,777,893	4,013,684	764,209
SOS Electric	1,708,032	1,159,157	548,875
Spectrum Control Systems	460,400	279,897	180,503
Tanner, Stone & Company	1,909,728	1,747,031	162,697
Total All Contractors	<u>\$27,146,872</u>	<u>\$20,280,733</u>	<u>\$6,866,139</u>

NOTE 20 - SET-ASIDE CALCULATIONS

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

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

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

NOTE 20 - SET-ASIDE CALCULATIONS (continued)

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Balance Carried Forward as of June 30, 2001	(\$48,375)	\$0	\$40,363
Current Year Set-aside Requirement	236,230	236,230	0
Qualifying Disbursements	<u>(165,299)</u>	<u>(421,389)</u>	<u>0</u>
Totals	<u>22,556</u>	<u>(185,159)</u>	<u>40,363</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$22,556</u>	<u>\$0</u>	<u>\$40,363</u>
Set-Aside Reserve Balance as of June 30, 2002	<u>\$22,556</u>	<u>\$0</u>	<u>\$40,363</u>

The School District had qualifying disbursements during the fiscal year that reduced the capital acquisition amount to below zero. This extra amount may not be carried forward to reduce set-aside requirements of future years. The total reserve balance for the set-asides at the end of the fiscal year was \$62,919.

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

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

NOTE 22 - NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34 "Basic Financial Statements - And Management's Discussion and Analysis - for State and Local Governments," Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Disclosures." These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements are effective for the School District's year ending June 30, 2003. The School District has not completed an analysis of the impact of these statements on its reported financial condition and results of operations.

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

NOTE 23 - SUBSEQUENT EVENTS

A. Third Party Administrator

On July 1, 2002, the Ross County School Employees Insurance Consortium changed their third party administrator from Professional Risk Management to Klais & Company, Incorporated.

B. 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 the earlier decision 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 on its financial operations.

Union Scioto Local School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2002

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU 2002	10.553	\$19,584	\$19,584
National School Lunch Program	04-PU 2002	10.555	143,404	143,404
Total U.S. Department of Agriculture			162,989	162,989
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 2002	84.010	196,497	206,421
Special Education - Grants to States (IDEA Part B)	6B-SF 2002 P	84.027	100,633	106,150
Safe and Drug-Free Schools and Communities	DR-S1-02	84.186	7,835	7,183
Goals 2000: Improvement Grants	G2-S1 01/02	84.276	10,000	29,598
Eisenhower Professional Development Grant	MS-S1 2002	84.281	10,002	10,500
Innovative Educational Program Strategies	C2-S1 2002	84.298	10,348	9,148
Class Size Reduction	CR-S1 2002	84.340	34,081	34,081
Total U.S. Department of Education			369,395	403,082
Total Federal Financial Assistance			\$532,384	\$566,071

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2002, the District received \$28,099 and used \$22,808 in fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. At June 30, 2002 the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

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

**Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

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

We have audited the financial statements of the Union Scioto Local School District (the District), as of and for the year ended June 30, 2002 and have issued our report thereon dated December 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated December 11, 2002.

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

J. L. Uhrig and Associates, Inc.
J. L. UHRIG AND ASSOCIATES, INC.

December 11, 2002

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

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

Compliance

We have audited the compliance of Union Scioto Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control over Compliance

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

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

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

J. L. Uhrig & Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 11, 2002

UNION SCIOTO LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDITOR'S RESULTS

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

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

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

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.



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Betty Montgomery**

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UNION SCIOTO LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 6, 2003**