



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Russia Local School District
Shelby County
PO Box 8
Russia, OH 45363

To The Board of Education:

We have audited the accompanying general-purpose financial statements of the Russia Local School District, Shelby County, (the District), as of and for the years ended June 30, 2002 and June 20 2001, as listed in the table of contents. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Russia Local School District, Shelby County, as of June 30, 2002 and June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 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 in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 23, 2002

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RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash & Cash Equivalents	\$714,557	\$23,075	\$283,766	\$2,791,349
Cash and Cash Equivalents in Segregated Accounts		871		
Cash and Cash Equivalents With Fiscal Agents		1,674		
Investments in Segregated Accounts				1,001,390
Receivables:				
Accounts		4,923		
Intergovernmental		111		
Accrued Interest	572			
Income Tax	1,583			
Property & Other Local Taxes	96,313			
Inventory Held for Resale	801,909		283,083	
Materials and Supplies Inventory	933			
Restricted Assets:				
Equity in Pooled Cash and Cash Equiv.	36,879			
Fixed Assets:				
Buildings and Building Improvements				
Furniture, Fixtures, and Equipment				
Vehicles				
Construction in Progress				
Accumulated Depreciation:				
Furniture, Fixtures and Equipment				
Other Debits:				
Amt in Debt Service for Retirement of General Obligation Bonds Provided from Gen Government Resources				
Total Assets and Other Debits	<u>1,652,746</u>	<u>30,654</u>	<u>566,849</u>	<u>3,792,739</u>
Liabilities:				
Accounts Payable	17,808	19		9,258
Contracts Payable				434,544
Accrued Wages	203,772			
Compensated Absences Payable	12,135			
Retainage Payable				52,569
Intergovernmental Payable	43,606	279		
Deferred Revenue	764,234	1,840	265,158	
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>1,041,555</u>	<u>2,138</u>	<u>265,158</u>	<u>496,371</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	56,090	1,814	515	2,767,420
Reserved for Inventory	933			
Reserved for Property Taxes	49,417		17,925	
Reserved for Endowments				
Reserved for Budget Stabilization	11,329			
Reserved for School Bus Purchases	25,550			
Unreserved Undesignated	467,872	26,702	283,251	528,948
Total Fund Equity and Other Credits	<u>611,191</u>	<u>28,516</u>	<u>301,691</u>	<u>3,296,368</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,652,746</u>	<u>\$30,654</u>	<u>\$566,849</u>	<u>\$3,792,739</u>

See accompanying notes to the general purpose financial statements.

Proprietary Enterprise	Fiduciary Trust and Agency	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
\$21,787	\$ 50,148			\$3,884,682
				871
				1,674
	12,900			1,014,290
				4,923
				683
	369			1,952
				96,313
				1,084,992
1,066				1,066
				933
				36,879
		1,462,640		1,462,640
12,000		611,197		623,197
		215,086		215,086
		1,366,820		1,366,820
(11,127)				(11,127)
			301,691	301,691
			4,400,014	4,400,014
<u>23,726</u>	<u>63,417</u>	<u>3,655,743</u>	<u>4,701,705</u>	<u>14,487,579</u>
	5			27,090
				434,544
6,670				210,442
5,606			140,757	158,498
				52,569
5,041			25,948	74,874
				1,031,232
	45,854			45,854
			4,535,000	4,535,000
<u>17,317</u>	<u>45,859</u>		<u>4,701,705</u>	<u>6,570,103</u>
		3,655,743		3,655,743
6,409				6,409
				2,825,839
				933
				67,342
	12,960			12,960
				11,329
				25,550
	4,598			1,311,371
<u>6,409</u>	<u>17,558</u>	<u>3,655,743</u>		<u>7,917,476</u>
<u>\$23,726</u>	<u>\$63,417</u>	<u>\$3,655,743</u>	<u>\$4,701,705</u>	<u>\$14,487,579</u>

RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Intergovernmental	\$1,245,666	\$75,507	\$27,935	\$9,938		\$1,359,046
Interest	33,082			125,742		158,824
Tuition and Fees	202,353					202,353
Extracurricular Activities	1,000	96,059				97,059
Gifts and Donations	46,716	3,290			18,785	68,791
Income Tax	263,896					263,896
Property & Other Local Taxes	805,492		284,465			1,089,957
Miscellaneous	107,942					107,942
Total Revenues	2,706,147	174,856	312,400	135,680	18,785	3,347,868
Expenditures:						
Current:						
Instruction:						
Regular	1,292,468	22,569		7,839		1,322,876
Special	280,015	31,820				311,835
Support Services:						
Pupils	63,098	4,234				67,332
Instructional Staff	75,907	11,128				87,035
Board of Education	4,241					4,241
Administration	249,671		6,156			255,827
Fiscal	77,481	100	9,954			87,535
Business	838					838
Operation and Maintenance of Plant	234,522			13,510		248,032
Pupil Transportation	142,465	8,938				151,403
Central	21,250	268				21,518
Non-Instructional Services	8,798				18,564	27,362
Extracurricular Activities	80,176	83,455				163,631
Capital Outlay				1,401,535		1,401,535
Debt Service:						
Principal Retirement			95,000			95,000
Interest and Fiscal Charges			256,663			256,663
Total Expenditures	2,530,930	162,512	367,773	1,422,884	18,564	4,502,663
Excess of Revenues Over (Under) Expenditures	175,217	12,344	(55,373)	(1,287,204)	221	(1,154,795)
Other Financing Sources and Uses						
Operating Transfers In				5,700		5,700
Operating Transfers Out				(5,700)		(5,700)
Total Other Financing Sources (Uses)				0		0
Excess of Revenues Over (Under) Exp and Other Financing Sources (Uses)	175,217	12,344	(55,373)	(1,287,204)	221	(1,154,795)
Fund Balances at Beginning of Year	435,804	16,172	357,064	4,583,572	3,788	5,396,400
Increase in Inventory	170					170
Fund Balances at End of Year	\$611,191	\$28,516	\$301,691	\$3,296,368	\$4,009	\$4,241,775

See accompanying notes to the general purpose financial statements.

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**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$1,210,476	\$1,245,666	\$35,190	\$48,889	\$50,664	\$1,775
Interest	43,612	36,582	(7,030)			
Tuition and Fees	199,700	202,353	2,653			
Rent	120		(120)			
Extracurricular Activities	1,000	1,000		90,873	93,979	3,106
Gifts and Donations	42,400	46,716	4,316	6,000	3,290	(2,710)
Income Tax	291,303	314,447	23,144			
Property & Other Local Taxes	801,868	805,966	4,098			
Miscellaneous	7,000	114,203	107,203			
Total Revenues	<u>2,597,479</u>	<u>2,766,933</u>	<u>169,454</u>	<u>145,762</u>	<u>147,933</u>	<u>2,171</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,384,207	1,313,608	70,599	29,694	22,927	6,767
Special	276,304	275,367	937	13,711	13,161	550
Support Services:						
Pupils	61,365	60,792	573	3,798	3,194	604
Instructional Staff	75,155	74,630	525	5,553	4,475	1,078
Board of Education	4,420	4,239	181			
Administration	256,799	254,614	2,185			
Fiscal	87,425	82,335	5,090		100	(100)
Business	2,000	838	1,162			
Operation and Maintenance of Plant	247,049	246,188	861			
Pupil Transportation	150,055	149,731	324	7,950	8,861	(911)
Central	44,679	32,992	11,687	5,000	268	4,732
Non-Instructional Services	10,000	8,794	1,206			
Extracurricular Activities	99,000	79,546	19,454	93,426	87,074	6,352
Capital Outlay	1,000		1,000			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	<u>2,699,458</u>	<u>2,583,674</u>	<u>115,784</u>	<u>159,132</u>	<u>140,060</u>	<u>19,072</u>
Excess of Revenues Over (Under) Expenditures	<u>(101,979)</u>	<u>183,259</u>	<u>285,238</u>	<u>(13,370)</u>	<u>7,873</u>	<u>21,243</u>
Other Financing Sources & Uses						
Refund of Prior Year Expenditures		691	691			
Operating Transfers In						
Operating Transfers Out	(5,700)		5,700			
Other Financing Uses	(244,300)		244,300			
Total Other Financing Sources (Uses)	<u>(250,000)</u>	<u>691</u>	<u>250,691</u>			
Excess of Rev Over (Under) Exp & Other Financing Sources (Uses)	<u>(351,979)</u>	<u>183,950</u>	<u>535,929</u>	<u>(13,370)</u>	<u>7,873</u>	<u>21,243</u>
Fund Balances at Beginning of Year	468,124	468,124		10,398	10,397	(1)
Prior Year Encumbrances Appropriated	27,883	27,883		2,972	2,972	
Fund Balances at End of Year	<u>\$144,028</u>	<u>\$679,957</u>	<u>\$535,929</u>	<u>\$0</u>	<u>\$21,242</u>	<u>\$21,242</u>

See accompanying notes to the general purpose financial statements.

Governmental Fund Types						Fiduciary Fund Type		
Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$8,700	\$27,935	\$19,235	\$4,300	\$9,938	\$5,638			
			105,348	111,101	5,753			
						18,835	18,785	(50)
298,314	284,493	(13,821)						
307,014	312,428	5,414	109,648	121,039	11,391	18,835	18,785	(50)
			9,963	9,963				
8,000	6,156	1,844						
11,200	10,469	731						
			70,000	13,830	56,170			
						22,788	18,564	4,224
			4,415,000	4,172,053	242,947			
150,000	95,000	55,000						
280,000	256,663	23,337						
449,200	368,288	80,912	4,494,963	4,195,846	299,117	22,788	18,564	4,224
(142,186)	(55,860)	86,326	(4,385,315)	(4,074,807)	310,508	(3,953)	221	4,174
			5,700	5,700	(5,700)			
				5,700				
			5,700		(5,700)			
(142,186)	(55,860)	86,326	(4,379,615)	(4,074,807)	304,808	(3,953)	221	4,174
339,112	339,111	(1)	4,569,154	4,569,154		3,788	3,788	
			19,960	19,960				
\$196,926	\$283,251	\$86,325	\$209,499	\$514,307	\$304,808	(\$165)	\$4,009	\$4,174

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS / FUND BALANCE
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$79,412		\$79,412
Interest		509	509
Contributions and Donations		88	88
	<u>79,412</u>	<u>597</u>	<u>80,009</u>
Operating Expenses:			
Salaries	50,468		50,468
Fringe Benefits	10,403		10,403
Purchased Services	5,462		5,462
Cost of Sales	41,690		41,690
Depreciation	225		225
Other	590	400	990
	<u>108,838</u>	<u>400</u>	<u>109,238</u>
Operating Income (Loss)	<u>(29,426)</u>	<u>197</u>	<u>(29,229)</u>
Non-Operating Revenues:			
Federal Donated Commodities	9,052		9,052
Interest	417		417
Federal and State Subsidies	16,454		16,454
	<u>25,923</u>		<u>25,923</u>
Net Income (Loss)	(3,503)	197	(3,306)
Retained Earnings/Fund Balance at Beginning of Year	<u>9,912</u>	<u>13,352</u>	<u>23,264</u>
Retained Earnings/Fund Balance at End of Year	<u>\$6,409</u>	<u>\$13,549</u>	<u>\$19,958</u>

See accompanying notes to the general purpose financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - BUDGET (NON GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type			Fudiciary Fund Type		
	Enterprise Fund			Non Expendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:						
Sales	\$75,594	\$79,479	\$3,885			
Interest	1,000	417	(583)	415	462	47
Contributions and Donations				85	88	3
Federal and State Subsidies	15,255	16,454	1,199			
Total Operating Revenues	91,849	96,350	4,501	500	550	50
Operating Expenses:						
Salaries	55,000	49,446	5,554			
Fringe Benefits	10,000	9,626	374			
Purchased Services	6,932	5,650	1,282			
Materials and Supplies	42,755	34,608	8,147			
Capital Outlay	300	189	111			
Other	500	326	174	1,200	400	800
Total Operating Expenses	115,487	99,845	15,642	1,200	400	800
Excess of Revenues Over (Under)						
Expenses	(23,638)	(3,495)	20,143	(700)	150	850
Fund Equity at Beginning of Year	23,662	23,662		13,029	13,029	
Prior Year Encumbrances Appropriated	287	287				
Fund Equity at End of Year	\$311	\$20,454	\$20,143	\$12,329	\$13,179	\$850

See accompanying notes to the general purpose financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fudiciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Cash Flows from Operating Activities:			
Cash Received from Customers	\$79,479		\$79,479
Cash Received from Contributions and Donations		88	88
Cash Payments for Employee Services and Benefits	(59,072)		(59,072)
Cash Payments to Suppliers for Goods and Services	(39,114)		(39,114)
Other Operating Expenses	(326)	(400)	(726)
Net Cash Used In Operating Activities	<u>(19,033)</u>	<u>(312)</u>	<u>(19,345)</u>
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies	<u>16,454</u>		<u>16,454</u>
Cash Flows from Investing Activities:			
Interest	417	462	879
Purchase of Investments		(5,000)	(5,000)
Cash Flows Used In Investing Activities:	<u>417</u>	<u>(4,538)</u>	<u>(4,121)</u>
Net Decrease in Cash and Cash Equivalents	(2,162)	(4,850)	(7,012)
Cash and Cash Equivalents at Beginning of Year	<u>23,949</u>	<u>5,129</u>	<u>29,078</u>
Cash and Cash Equivalents at End of Year	<u>\$21,787</u>	<u>\$279</u>	<u>\$22,066</u>
Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:			
Operating Income (Loss)	(\$29,426)	\$197	(\$29,229)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:			
Depreciation	225		225
Donated Commodities Used	9,052		9,052
Nonexpendable Trust Fund Interest		(509)	(509)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	67		67
Decrease in Supplies Inventory	196		196
Increase in Inventory Held for Resale	(76)		(76)
Increase in Accrued Wages Payable	398		398
Increase in Intergovernmental Payable	777		777
Decrease in Deferred Revenue	(870)		(870)
Increase in Compensated Absences Payable	624		624
Net Cash Provided By (Used In) Operating Activities	<u>(\$19,033)</u>	<u>(\$312)</u>	<u>(\$19,345)</u>

Noncash Transaction:

The School District received \$9,154 in donated commodities during the fiscal year.

Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet

Cash and Cash Equivalents-All Fiduciary Funds	\$50,148
Cash and Cash Equivalents-Expendable Trust and Agency Fund	<u>(49,869)</u>
Cash and Cash Equivalents-Nonexpendable Trust Fund	<u>\$279</u>

See Accompanying Notes to the General Purpose Financial Statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT

Russia Local School District (the "School District") operates under a locally-elected Board form of government and provides educational services as authorized by state and federal agencies. This Board controls the School District's instructional/support facilities staffed by 26 non-certificated employees, 35 certificated teaching personnel and 2 administrative employees to provide services to 432 students and other community members.

The School District was established in 1862 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District is the 605th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It currently operates one instructional building.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Russia 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 the proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Reporting Entity

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

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District participates in the Western Ohio Computer Organization (WOCO), Southwestern Ohio Educational Purchasing Council (SOEPC), Southwestern Ohio Instructional Technology Association (SOITA), and the Shelby County Local Professional Development Consortium, which are defined as jointly governed organizations. The School District also participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Shelby County Schools Consortium, which are classified as insurance purchasing pools. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

B. 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.

1. 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 trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

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

Special Revenue Funds

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

2. 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:

Enterprise Fund

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

3. 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 expendable trust, nonexpendable trust, and agency funds. Expendable trusts are accounted for in essentially the same manner as governmental funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. 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.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

C. Measurement Focus and Basis of Accounting

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

The enterprise fund and the nonexpendable trust fund 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. The enterprise fund and the nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

Revenue resulting from the 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 income taxes, property 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.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, interest, interfund, tuition, grants, and student fees.

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 and payments received before services are provided are 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.

D. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The special revenue funds grant activity that is administered by a fiscal agent is not budgeted by the School District.

1. 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 Shelby County Budget Commission for rate determination.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources:

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

3. 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 function level for the General Fund and Bond Retirement Debt Service Fund and at the fund level for all other funds for expenditures, which are the legal levels 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, or alter any function appropriations within the general fund or bond retirement fund, 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, five supplemental appropriations were enacted, however, none of these were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. The financial statements are presented at more detail than the legal level of control for the special revenue, capital projects, enterprise and trust funds. The Treasurer has been given the authority to allocate the Board's appropriations to the function/object level for these funds. Formal budgetary integration is employed as a management control device during the year for all funds other than the agency fund, consistent with statutory provisions.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. 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 the proprietary fund.

5. 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.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, except the capital project building fund and the nonexpendable trust fund, 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 balance sheet. Investments that are held separately for the capital projects and nonexpendable trust funds are recorded on the balance sheet as "investments in segregated accounts."

Deposits held in a separate checking account for the athletic department is presented on the combined balance sheet as "cash and cash equivalents in segregated accounts."

In addition, the balance of various grant activity administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits with the Shelby County Educational Service Center.

During fiscal year 2002, investments were limited to certificates of deposit, repurchase agreement, Star Ohio, and a Federal Home Loan Mortgage Corporation Medium Term Note. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The School District invests funds in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State's Treasurer 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.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$33,082 which includes \$11,904 assigned from other School District funds. The capital projects, enterprise, and non-expendable funds also received interest of \$125,742, \$417, and \$509 respectively.

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 a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments not part of the cash management pool with an initial maturity of more than three months are reported as investments.

F. Inventory

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

G. Prepaid Items

Russia Local School District has elected not to report prepaids in governmental fund types. There were no material prepaids in proprietary fund.

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$300 dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of 10 to 20 years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension obligations 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 been paid using current available financial resources. General Obligation bonds are reported as a liability of the general long-term obligations account group until due.

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

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for endowments signifies the legal restrictions on the use of principal.

N. 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.

O. 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.

3. ACCOUNTABILITY

At June 30, 2002, the Title I, Title VI, and Title VI-R special revenue funds had deficit fund balances of \$3, \$8 and \$1,085, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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 Similar Trust Funds and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) Proprietary Fund Type and Similar Trust 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:

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to Russia Local School District are included in the special revenue funds for GAAP reporting purposes (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
Governmental Fund Types and Similar Trust Funds**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trusts</u>
GAAP Basis	\$175,217	\$12,344	(\$55,373)	(\$1,287,204)	\$221
Revenue Accruals	61,477	(2,080)	28	(14,641)	0
Expenditure Accruals	18,735	(3,258)	0	490,828	0
Non Budgeted Funds	0	2,700	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(71,479)	(1,833)	(515)	(\$3,263,790)	0
Budget Basis	<u>\$183,950</u>	<u>\$7,873</u>	<u>(\$55,860)</u>	<u>(\$4,074,807)</u>	<u>\$221</u>

**Net Income (Loss)/Excess of Revenues Under (Over) Expenses
Proprietary Fund Type and Nonexpendable Trust Fund**

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>
GAAP Basis	(\$3,503)	\$197
Revenue Accruals	67	(47)
Expense Accruals	1,373	0
Depreciation Expense	225	0
Material and Supplies Inventory	(196)	0
Inventory Held for Resale	(26)	0
Acquisition of Fixed Assets	(102)	0
Encumbrances Outstanding at Year End (Budget Basis)	(1,333)	0
Budget Basis	<u>(\$3,495)</u>	<u>\$150</u>

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

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

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

Inactive monies are permitted to 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 or interest by the United States;
2. Bonds, notes debentures, or any other obligations or security issued by any federal government agency or instrumentality including but not limited to Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, the Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 (STAR Ohio); and

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligation, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$1,575 in undeposited cash on hand which is included on the combined balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

The "cash and cash equivalents with fiscal agent" of \$1,674 shown in the special revenue funds is maintained with the Shelby County Educational Service Center. Since the monies are commingled, they cannot be classified by risk individually under GASB statement No. 3. The classification for the Shelby County Educational Service Center as a whole can be obtained by writing to Cathy Doseck, who serves as Treasurer, at 129 E. Court St., Sidney, OH 45365.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$3,932,663 and the bank balance was \$3,977,214. Of the bank balance, \$181,562 was covered by federal depository insurance and \$3,795,652 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would 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 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 had a Federal Home Loan Mortgage Corporation Medium Term Note at year end, which is a Category 3 investment, with a carrying/fair value of \$1,001,390. In addition, the School District's investment in STAR Ohio had a carrying/fair value of \$1,094 at June 30, 2002. The School District's investment in STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book form.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

A reconciliation between the classification 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:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$3,924,106	\$1,014,290
Cash on Hand	(1,575)	0
Cash and Cash Equivalents		
With Fiscal Agent	(1,674)	0
Investments:		
STAR Ohio	(1,094)	1,094
Certificate of Deposit	<u>12,900</u>	<u>(12,900)</u>
GASB Statement 3	<u>\$3,932,663</u>	<u>\$ 1,002,484</u>

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 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) is for calendar 2002 taxes.

Real property taxes for 2002 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 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. Public utility property taxes for 2002 became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

Tangible personal property taxes for 2002 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.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. PROPERTY TAXES (Continued)

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, the State statute permits later payment dates to be established.

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

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

	2001 Second- Half Collections		2002 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Ag/Residential and Other Real Estate	\$24,758,240	70.30%	\$25,449,110	71.40%
Public Utility (Pers)	2,532,600	7.19%	2,368,840	6.65%
Tang Personal Property	<u>7,926,320</u>	<u>22.51%</u>	<u>7,822,510</u>	<u>21.95%</u>
Total Assessed Value	<u>\$35,217,160</u>	<u>100.00%</u>	<u>\$35,640,460</u>	<u>100.00%</u>

Tax rate per \$100 of assessed valuation assessed valuation	39.45	39.45
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The School District receives property taxes from Shelby and Darke Counties. The Shelby 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 amount available as an advance at June 30 was 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 \$49,417 in the general fund, and \$17,925 in the debt service fund.

7. INCOME TAX

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. 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.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2002, consisted of both property and income taxes, intergovernmental, accrued interest and accounts receivable (State and Regional Tournament payments, picture sales, and reimbursements.) All receivables are considered collectible in full due.

Intergovernmental receivables in the General Fund at June 30, 2002, were \$572 consisting of reimbursements from Upper Valley Joint Vocational School. The special revenue fund intergovernmental receivable of \$111 is for Title II grants.

9. FIXED ASSETS

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

Furniture and Equipment	\$12,000
Accumulated Depreciation	<u>(11,127)</u>
Net Fixed Assets	<u>\$873</u>

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

<u>Asset Category</u>	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/02</u>
Land, Buildings and Improvements	\$1,462,640	\$0	\$0	\$1,462,640
Construction in Progress	0	1,366,820	0	1,366,820
Furniture, Fixtures and Equipment	584,456	46,538	19,797	611,197
Vehicles	<u>215,086</u>	<u>0</u>	<u>0</u>	<u>215,086</u>
Totals	<u>\$2,262,182</u>	<u>\$1,413,358</u>	<u>\$19,797</u>	<u>\$3,655,743</u>

10. RISK MANAGEMENT

The School District contracted with Nationwide Mutual Insurance Co. for Property Insurance. Coverage provided by Selective Insurance Company is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$6,646,000
Extra Expense	250,000

The School District contracted with Selective Insurance Co. for Fleet Insurance. Coverage provided is as follows:

Automobile Liability	\$1,000,000
Collision (\$500 deductible)	Actual Cash Value
Uninsured Motorist	1,000,000
Medical Payments	5,000

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

10. RISK MANAGEMENT (Continued)

The School District contracted with Great American Insurance Co. for General Liability Insurance. Coverage provided is as follows:

General Liability Aggregate Limit	\$5,000,000
Each Occurrence Limit	1,000,000
Wrongful Acts Limit	5,000
Property Care, Custody or Control Limit	50,000

The School District contracted with Selective Insurance Co. for Commercial Umbrella Liability Coverage. Coverage provided is as follows:

Occurrence Limit:	\$5,000,000
Aggregate Limit	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The District has increased Liability coverage by adding the Commercial Umbrella Liability Coverage during fiscal year 2002.

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Grating Program (the Plan), an insurance purchasing pool (Note 16). The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the Plan.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the Plan.

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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$24,148, \$9,466, and \$12,722, respectively; 54.20 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$11,059 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 public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 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 \$122,808, \$124,001, and \$68,559, respectively; 82.96 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$20,933 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

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.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

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 \$58,172 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 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 \$45,134.

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.

13. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees 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. Sick leave may be accumulated up to a maximum of 195 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 39 days for classified and certified employees.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

13. EMPLOYEE BENEFITS (Continued)

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance Company. The School District has elected to provide employee medical/surgical benefits through Anthem Blue Cross, Blue Shield. Employees electing Option I and Option II share the cost of the monthly premium with the Board. Employees electing Option III have the premium paid in full by the Board. Dental insurance is provided by the School District at no additional cost to employees who select Option III of the Health Insurance plan through Anthem.

14. LONG-TERM OBLIGATIONS

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

	Principal Outstanding <u>6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/02</u>
Gym Addition Bond 9.375%	\$130,000	\$0	\$30,000	\$100,000
Building Addition Bond 5.47%	<u>4,500,000</u>	<u>0</u>	<u>65,000</u>	<u>4,435,000</u>
Total General Obligation Bonds	4,630,000	0	95,000	4,535,000
Intergovernmental Payable	27,759	25,948	27,759	25,948
Compensated Absences Payable	<u>125,922</u>	<u>18,390</u>	<u>3,555</u>	<u>140,757</u>
Total Long Term Obligation	<u>\$4,783,681</u>	<u>\$44,338</u>	<u>\$126,314</u>	<u>\$4,701,705</u>

Russia Local School Gym General Obligation Bonds

On November 1, 1985, Russia Local School District issued \$585,000 in voted general obligation bonds for the purpose of an addition and improvement to the junior high school gymnasium. The bonds were issued for a nineteen year period with final maturity at December 1, 2004, with an interest rate of 9.375%. The bond will be paid from the Debt Service Fund.

On May 9, 2001, Russia Local School District issued \$4,500,000 in voted general obligation bonds for the purpose of an addition and improvement to the building. The bonds were issued for a 28 year period with final maturity on December 1, 2028, with an interest rate of 5.47%. The bonds will be paid from the Debt Service Fund.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries and benefits are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a "special needs district" in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code. The School District was approved for "special needs district" status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$115,000	\$236,329	\$351,329
2004	120,000	230,223	350,223
2005	125,000	223,846	348,846
2006	95,000	218,690	313,690
2007	100,000	214,935	314,935
2008-2012	555,000	1,007,985	1,562,985
2013-2017	700,000	863,039	1,563,039
2018-2022	925,000	648,981	1,573,981
2023-2027	1,210,000	351,325	1,561,325
2028-2029	<u>590,000</u>	<u>34,500</u>	<u>624,500</u>
	<u>\$4,535,000</u>	<u>\$4,029,853</u>	<u>\$8,564,853</u>

15. JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization - The Russia Local School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education. 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 districts.

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools within each county plus one representative from the fiscal agent. The School District paid WOCO \$11,560 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 11 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. The School District paid SOEPC \$471 for membership during the fiscal year. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets will be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the General Fund. During the fiscal year 2002, the school district paid \$8,781 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Television Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Shelby County Local Professional Development Consortium - The School District is a participant in the Shelby County Local Professional Development Consortium which is a regional council of governments in accordance with Chapter 167 of the Ohio Revised Code. The Consortium was established to provide educator license/certificate renewal standards and procedures for professional growth. The Consortium is made up of the public school districts and the educational service center in Shelby County.

The executive committee consists of one teacher representative from each of the school districts and the educational service center, one superintendent elected by the superintendents, one principal elected by the principal, one administrator employed by the Shelby County Educational Service Center and one treasurer elected by the treasurers. The School District made no contributions to the Consortium for services during fiscal year 2002. Financial information can be obtained from Ann Shuttleworth, who serves as director at 129 E. Court St., Sidney, OH 45365

16. INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan - Russia Local School 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. The School District Paid \$204 during fiscal year 2002.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

16. INSURANCE PURCHASING POOLS (Continued)

Shelby County Schools Consortium - The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Medical Life Insurance Company for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2002, Russia Local School District contributed \$171,624 from the general fund. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

17. CONTINGENCIES

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.

18. CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance 6/30/02</u>
Bushong Restaurant Equip Lunch Room Equip	Building Project	\$178,279	\$0	\$178,279
Capital Equipment Lab Casework	Building Project	76,884	0	76,884

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

18. CONTRACTUAL COMMITMENTS (Continued)

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance 6/30/02</u>
Capital Equipment Institutional Casework	Building Project	65,867	0	65,867
Dalmation Fire Fire Protection	Building Project	61,237	0	61,237
Farnham Equipment Library Equip	Building Project	36,378	0	36,378
Farnham Equipment Music Equipment	Building Project	13,800	0	13,800
Ferguson Construction General Contractor	Building Project	\$1,895,657	\$370,502	\$1,525,155
Freytag Architects Architectural Services	Building Project	312,944	250,395	62,549
GM Mechanical Plumbing	Building Project	196,900	96,267	100,633
Mr. Concrete Brick	Building Project	17,343	0	17,343
Service Supply Bleachers	Building Project	23,916	0	23,916
Slagle Mechanical HVAC	Building Project	827,482	146,760	680,722
Wells Brothers Electrical	Building Project	<u>425,696</u>	<u>15,783</u>	<u>409,913</u>
Totals		<u>\$4,132,383</u>	<u>\$879,707</u>	<u>\$3,252,676</u>

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set-aside for this purpose.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

19. SET-ASIDE CALCULATIONS AND FUND RESERVES (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 Cash Balance as of June 30, 2001	(\$13,932)	(\$4,489,318)	\$11,329
Current Year Set-aside Requirement	48,688	48,688	0
Qualifying Disbursements	<u>(65,844)</u>	<u>(47,158)</u>	<u>0</u>
Set-aside Cash Balance as of June 30, 2002	<u>(\$31,088)</u>	<u>(\$4,487,788)</u>	<u>\$11,329</u>
 Set-aside Balance Carried Forward to Future Fiscal Years	 <u>(\$31,088)</u>	 <u>(\$4,487,788)</u>	 <u>\$11,329</u>

The School District had qualifying disbursements and bond proceeds during the fiscal year that reduced the textbook and capital improvement set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years.

20. SCHOOL FUNDING COURT DECISION

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

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2001**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Equity in Pooled Cash & Cash Equivalents	\$463,426	\$13,369	\$339,111	\$4,589,114
Cash and Cash Equivalents				
With Fiscal Agents		4,374		
Investments in Segregated Accounts				
Receivables:				
Accounts	472	1,115		
Intergovernmental	7,524	2,324		
Accrued Interest	5,083			
Income Tax	157,826			
Property & Other Local Taxes	796,041		281,449	
Inventory Held for Resale				
Materials and Supplies Inventory	763			
Restricted Assets:				
Equity in Pooled Cash and Cash Equiv.	32,579			
Fixed Assets:				
Buildings and Building Improvements				
Furniture, Fixtures, and Equipment				
Vehicles				
Accumulated Depreciation:				
Furniture, Fixtures and Equipment				
Other Debits:				
Amt in Debt Service for Retirement of General Obligation Bonds				
Provided from Gen Government Resources				
Total Assets and Other Debits	<u>1,463,714</u>	<u>21,182</u>	<u>620,560</u>	<u>4,589,114</u>
Liabilities:				
Accounts Payable	13,866	2,151		5,542
Accrued Wages	185,962	349		
Compensated Absences Payable	21,895			
Intergovernmental Payable	36,861	186		
Deferred Revenue	769,326	2,324	263,496	
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>1,027,910</u>	<u>5,010</u>	<u>263,496</u>	<u>5,542</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	19,484	1,246		14,418
Reserved for Inventory	763			
Reserved for Property Taxes	49,891		17,953	
Reserved for Endowments				
Reserved for Budget Stabilization	11,329			
Reserved for School Bus Purchases	21,250			
Designation for Capital Improvements	10,682			
Unreserved Undesignated	322,405	14,926	339,111	4,569,154
Total Fund Equity and Other Credits	<u>435,804</u>	<u>16,172</u>	<u>357,064</u>	<u>4,583,572</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,463,714</u>	<u>\$21,182</u>	<u>\$620,560</u>	<u>\$4,589,114</u>

See accompanying notes to the general purpose financial statements.

<u>Proprietary</u>	<u>Fiduciary</u>	<u>Account Groups</u>		<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
		<u>General</u> <u>Fixed</u> <u>Assets</u>	<u>General</u> <u>Long-Term</u> <u>Obligations</u>	
<u>Enterprise</u>	<u>Trust and</u> <u>Agency</u>			
\$23,949	\$48,308			\$5,477,277
				4,374
	7,900			7,900
67				1,654
				9,848
	323			5,406
				157,826
				1,077,490
990				990
196				959
				32,579
		1,462,640		1,462,640
12,000		584,456		596,456
		215,086		215,086
(10,902)				(10,902)
			357,064	357,064
			4,426,617	4,426,617
<u>26,300</u>	<u>56,531</u>	<u>2,262,182</u>	<u>4,783,681</u>	<u>13,823,264</u>
				21,559
6,272				192,583
4,982			125,922	152,799
4,264			27,759	69,070
870				1,036,016
	39,391			39,391
			4,630,000	4,630,000
<u>16,388</u>	<u>39,391</u>		<u>4,783,681</u>	<u>6,141,418</u>
		2,262,182		2,262,182
9,912				9,912
				35,148
				763
				67,844
	12,960			12,960
				11,329
				21,250
				10,682
	4,180			5,249,776
<u>9,912</u>	<u>17,140</u>	<u>2,262,182</u>		<u>7,681,846</u>
<u>\$26,300</u>	<u>\$56,531</u>	<u>\$2,262,182</u>	<u>\$4,783,681</u>	<u>\$13,823,264</u>

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
Revenues:						
Intergovernmental	\$1,050,099	\$47,866	\$16,283	\$39,533		\$1,153,781
Interest	47,169			28,733	51	75,953
Tuition and Fees	195,939					195,939
Rent	120					120
Extracurricular Activities	967	58,441				59,408
Gifts and Donations	4,690	6,654			18,680	30,024
Income Tax	329,700					329,700
Property & Other Local Taxes	835,504		185,384			1,020,888
Miscellaneous	23,852		14,743			38,595
Total Revenues	<u>2,488,040</u>	<u>112,961</u>	<u>216,410</u>	<u>68,266</u>	<u>18,731</u>	<u>2,904,408</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,218,633	11,610		24,720		1,254,963
Special	229,404	16,429				245,833
Support Services:						
Pupils	54,548	9,037				63,585
Instructional Staff	61,009	11,794				72,803
Board of Education	4,030					4,030
Administration	240,911	76	380			241,367
Fiscal	86,609	1,559	4,497			92,665
Business	669					669
Operation and Maintenance of Plant	202,796			4,467		207,263
Pupil Transportation	96,904	7,325				104,229
Central	13,648	1,804		2,630		18,082
Non-Instructional Services	7,066	30			20,865	27,961
Extracurricular Activities	72,441	50,000				122,441
Capital Outlay				12,999		12,999
Debt Service:						
Principal Retirement			35,000			35,000
Interest and Fiscal Charges			13,828			13,828
Total Expenditures	<u>2,288,668</u>	<u>109,664</u>	<u>53,705</u>	<u>44,816</u>	<u>20,865</u>	<u>2,517,718</u>
Excess of Revenues Over (Under) Expenditures	<u>199,372</u>	<u>3,297</u>	<u>162,705</u>	<u>23,450</u>	<u>(2,134)</u>	<u>386,690</u>
Other Financing Sources and Uses:						
Proceeds from Sale of Bonds				4,500,000		4,500,000
Total Other Financing Sources (Uses)				<u>4,500,000</u>		<u>4,500,000</u>
Excess of Revenues Over (Under) Exp and Financing Sources (Uses)	199,372	3,297	162,705	4,523,450	(2,134)	4,886,690
Fund Balances at Beginning of Year-Restated Note 3	236,789	12,875	194,359	60,122	5,922	510,067
Decrease in Inventory	(357)					(357)
Fund Balances at End of Year	<u>\$435,804</u>	<u>\$16,172</u>	<u>\$357,064</u>	<u>\$4,583,572</u>	<u>\$3,788</u>	<u>\$5,396,400</u>

See accompanying notes to the general purpose financial statements.

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RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

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

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$924,920	\$1,050,699	\$125,779	\$20,715	\$22,772	\$2,057
Interest	30,812	47,958	17,146			
Tuition and Fees	208,951	195,939	(13,012)			
Rent		120	120			
Extracurricular Activities	800	1,013	213	51,749	57,400	5,651
Gifts and Donations	3,200	4,690	1,490	8,000	6,654	(1,346)
Income Tax	262,638	282,818	20,180			
Property & Other Local Taxes	789,717	811,017	21,300			
Miscellaneous	9,100	9,802	702			
Total Revenues	2,230,138	2,404,056	173,918	80,464	86,826	6,362
Expenditures:						
Current:						
Instruction:						
Regular	1,208,279	1,203,721	4,558	13,348	11,252	2,096
Special	240,214	231,308	8,906			
Support Services:						
Pupils	65,508	53,995	11,513	9,171	6,795	2,376
Instructional Staff	75,687	60,551	15,136	7,121	6,301	820
Board of Education	4,447	4,034	413			
Administration	269,920	239,210	30,710			
Fiscal	95,602	86,790	8,812		1,559	(1,559)
Business	765	669	96			
Operation and Maintenance of Plant	294,486	211,183	83,303			
Pupil Transportation	145,670	99,564	46,106	6,840	7,332	(492)
Central	16,105	15,984	121	1,536	1,804	(268)
Non-Instructional Services	8,650	7,066	1,584			
Extracurricular Activities	77,430	72,863	4,567	51,431	50,803	628
Capital Outlay	500		500			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	2,503,263	2,286,938	216,325	89,447	85,846	3,601
Excess of Revenues Over (Under) Expenditures	(273,125)	117,118	390,243	(8,983)	980	9,963
Other Financing Sources & Uses						
Proceeds from Sale of Bonds						
Refund of Prior Year Expenditures		7,219	7,219			
Advances In		5,000	5,000	5,000	5,000	
Other Financing Sources						
Refund of Prior Year Receipts	(200)	(18)	182			
Advances Out	(5,000)	(5,000)		(5,000)	(5,000)	
Other Financing Uses	(12,438)		12,438			
Total Other Financing Sources (Uses)	(17,638)	7,201	24,839			
Excess of Rev Over (Under) Exp & Other Financing Sources (Uses)	(290,763)	124,319	415,082	(8,983)	980	9,963
Fund Balances at Beginning of Year	316,152	316,152		8,436	8,436	
Prior Year Encumbrances Appropriated	27,653	27,653		981	981	
Fund Balances at End of Year	\$53,042	\$468,124	\$415,082	\$434	\$10,397	\$9,963

See accompanying notes to the general purpose financial statements.

Governmental Fund Types						Fiduciary Fund Type		
Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$5,997	\$16,283	\$10,286	\$34,533	\$39,533 28,733	\$5,000 28,733	40	53	13
						19,654	18,680	(974)
195,319	170,290	(25,029)						
201,316	186,573	(14,743)	34,533	68,266	33,733	19,694	18,733	(961)
			25,655	27,556	(1,901)			
20,050	380	19,670						
11,350	4,497	6,853						
			69,000	4,467	64,533			
				2,630	(2,630)	32,159	20,865	11,294
			4,500,000	24,581	4,475,419			
95,000	35,000	60,000						
16,875	13,828	3,047						
143,275	53,705	89,570	4,594,655	59,234	4,535,421	32,159	20,865	11,294
58,041	132,868	74,827	(4,560,122)	9,032	4,569,154	(12,465)	(2,132)	10,333
			4,500,000	4,500,000				
	14,743	14,743						
	14,743	14,743	4,500,000	4,500,000				
58,041	147,611	89,570	(60,122)	4,509,032	4,569,154	(12,465)	(2,132)	10,333
191,500	191,500		60,122	60,122		5,920	5,920	
\$249,541	\$339,111	\$89,570	\$0	\$4,569,154	\$4,569,154	(\$6,545)	\$3,788	\$10,333

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR JUNE 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$76,966		\$76,966
Interest		477	477
Contributions and Donations		5,014	5,014
Total Operating Revenue	<u>76,966</u>	<u>5,491</u>	<u>82,457</u>
Operating Expenses:			
Salaries	49,313		49,313
Fringe Benefits	6,984		6,984
Purchased Services	3,152		3,152
Cost of Sales	41,034		41,034
Depreciation	221		221
Other	855	400	1,255
Total Operating Expenses	<u>101,559</u>	<u>400</u>	<u>101,959</u>
Operating Income (Loss)	<u>(24,593)</u>	<u>5,091</u>	<u>(19,502)</u>
Non-Operating Revenues:			
Federal Donated Commodities	8,452		8,452
Interest	1,147		1,147
Federal and State Subsidies	15,148		15,148
Total Non-Operating Revenues	<u>24,747</u>		<u>24,747</u>
Net Income (Loss)	154	5,091	5,245
Retained Earnings/Fund Balance at Beginning of Year	<u>9,758</u>	<u>8,261</u>	<u>18,019</u>
Retained Earnings/Fund Balance at End of Year	<u><u>\$9,912</u></u>	<u><u>\$13,352</u></u>	<u><u>\$23,264</u></u>

See accompanying notes to the general purpose financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - BUDGET (NON GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Type			Fudiciary Fund Type		
	Enterprise Fund			Non Expendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:						
Sales	\$73,000	\$77,197	\$4,197			
Interest	750	1,147	397	400	397	(3)
Contributions and Donations				50	5,014	4,964
Federal and State Subsidies	15,940	15,204	(736)			
Total Operating Revenues	89,690	93,548	3,858	450	5,411	4,961
Operating Expenses:						
Salaries	49,686	44,747	4,939			
Fringe Benefits	8,890	9,488	(598)			
Purchased Services	7,900	3,184	4,716			
Materials and Supplies	40,000	32,957	7,043			
Capital Outlay	850	855	(5)			
Other	1,000	543	457	500	400	100
Total Operating Expenses	108,326	91,774	16,552	500	400	100
Excess of Revenues Over (Under) Expenses	(18,636)	1,774	20,410	(50)	5,011	5,061
Fund Equity (Deficit) at Beginning of Year	21,693	21,693		8,018	8,018	
Prior Year Encumbrances Appropriated	195	195				
Fund Equity (Deficit) at End of Year	\$3,252	\$23,662	\$20,410	\$7,968	\$13,029	\$5,061

See accompanying notes to the general purpose financial statements.

RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fudiciary Fund Type</u>	Total (Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Cash Flows from Operating Activities:			
Cash Received from Customers	\$77,197		\$77,197
Cash Received from Contributions and Donations		5,014	5,014
Cash Payments for Employee Services and Benefits	(54,235)		(54,235)
Cash Payments to Suppliers for Goods and Services	(36,241)		(36,241)
Other Operating Expenses	(543)	(400)	(943)
Net Cash Provided By (Used for) Operating Activities	<u>(13,822)</u>	<u>4,614</u>	<u>(9,208)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(468)		(468)
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies	15,204		15,204
Cash Flows from Investing Activities:			
Interest	1,147	397	1,544
Purchase of Investment		(7,900)	(7,900)
Cash Flows Used in Investing Activity	<u>1,147</u>	<u>(7,503)</u>	<u>(6,356)</u>
Net Increase in Cash and Cash Equivalents	2,061	(2,889)	(828)
Cash and Cash Equivalents at Beginning of Year	<u>21,888</u>	<u>8,018</u>	<u>29,906</u>
Cash and Cash Equivalents at End of Year	<u><u>\$23,949</u></u>	<u><u>\$5,129</u></u>	<u><u>\$29,078</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used for) Operating Activities:			
Operating Income (Loss)	(\$24,593)	\$5,091	(\$19,502)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used for) Operating Activities:			
Depreciation	221		221
Donated Commodities Received	8,452		8,452
Nonexpendable Trust Fund Interest		(477)	(477)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	231		231
Increase in Supplies Inventory	(98)		(98)
Decrease in Inventory Held for Resale	(51)		(51)
Increase in Accrued Salaries Payable	2,242		2,242
Decrease in Deferred Revenue	(46)		(46)
Increase in Compensated Absences Payable	2,324		2,324
Decrease in Intergovernmental Payable	(2,504)		(2,504)
Net Cash, Provided By (Used for) Operating Activities	<u><u>(13,822)</u></u>	<u><u>\$4,614</u></u>	<u><u>(9,208)</u></u>
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet			
Cash and Cash Equivalents-All Fiduciary Funds		\$48,308	
Cash and Cash Equivalents-Expendable Trust and Agency Fund		<u>(43,179)</u>	
Cash and Cash Equivalents-Nonexpendable Trust Fund		<u><u>\$5,129</u></u>	

See Accompanying Notes to the General Purpose Financial Statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT

Russia Local School District (the "School District") operates under a locally-elected Board form of government and provides educational services as authorized by state and/or federal agencies. This Board controls the School District's instructional/support facilities staffed by 23 non-certificated employees, 31 certificated teaching personnel and 2 administrative employees to provide services to 429 students and other community members.

The School District was established in 1862 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District is the 605th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It currently operates one instructional building.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Russia 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 the proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District is associated with the Western Ohio Computer Organization (WOCO), Southwestern Ohio Educational Purchasing Council (SOEPC), Southwestern Ohio Instructional Technology Association (SOITA), and the Shelby County Local Professional Development Consortium, which are defined as jointly governed organizations. The School District is also associated with the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Shelby County Schools Consortium, which are classified as insurance purchasing pools. These organizations are presented in Notes 15 and 16 to the combined financial statements.

B. 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.

1. 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 trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

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

Special Revenue Funds

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

2. 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:

Enterprise Fund

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

3. 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 expendable trusts, nonexpendable trusts, and agency funds. Expendable trusts are accounted for in essentially the same manner as governmental funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. 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.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

C. Measurement Focus and Basis of Accounting

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

The enterprise fund and the nonexpendable trust fund 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. The enterprise fund and the nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

Revenue resulting from the 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, 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.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, interest, interfund, tuition, grants, student fees and rentals.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds. On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

D. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The special revenue funds grant activity that is administered by a fiscal agent is not budgeted by the School District.

1. 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 Shelby County Budget Commission for rate determination.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources:

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

3. 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 function level for the General Fund and Bond Retirement Debt Service Fund and at the fund level for all other funds for expenditures, which are the legal levels 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, or alter any function appropriations within the general fund or bond retirement fund 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, nine supplemental appropriations were enacted; however, only one of these amendments was significant.

The significant supplemental appropriation was made in April, 2001, and was the result of the sale of bonds from the \$4,500,000 bond issue passed in November, 2000.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. The financial statements are presented at more detail than the legal level of control for the special revenue, capital projects, enterprise and trust funds. The Treasurer has been given the authority to allocate the Board's appropriations to the function/object level for these funds. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. 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 the proprietary fund.

5. 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.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, except the nonexpendable trust fund, 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 balance sheet. Investments that are held separately for the nonexpendable trust fund are recorded on the balance sheet as "investments in segregated accounts."

In addition, the balance of various grant activity administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits with the Shelby County Educational Service Center.

During fiscal year 2001, investments were limited to certificates of deposit, repurchase agreements and Star Ohio. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$47,169, which includes \$22,840 assigned from other School District funds. The capital projects, expendable trust, enterprise, and non-expendable funds also received interest of \$28,733, \$51, \$1,147 and \$477 respectively.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Inventory

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

G. Prepaid Items

Russia Local School District has elected not to report prepaids in governmental fund types. There were no material prepaids in proprietary fund.

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$300 dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of 10 to 20 years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension obligations 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 been paid using current available financial resources. General Obligation bonds are reported as a liability of the general long-term obligations account group until due.

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

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves and Designations

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, property taxes, endowments, budget stabilization, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for endowments signifies the legal restrictions on the use of principal. The designation for capital improvements in the general fund represents revenues set aside that exceed statutorily required amounts.

N. 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.

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

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". The following table summarizes the changes to fund balance:

	<u>General</u>
Fund Balance June 30, 2000	\$237,133
Implementation of GASB 33	<u>(344)</u>
Restated Fund Balance July 1, 2000	<u>\$236,789</u>

The general fixed asset account group balance was restated \$17,111 from \$2,241,823 to \$2,224,712.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

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 Similar Trust Funds and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) All Proprietary Fund Type and Similar Trust 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. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to Russia Local School District are included in the special revenue funds for GAAP reporting purposes (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
Governmental Fund Types and Similar Trust Funds**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trusts</u>
GAAP Basis	\$199,372	\$3,297	\$162,705	\$4,523,450	(\$2,134)
Revenue Accruals	(76,765)	(1,041)	(15,094)	0	2
Expenditure Accruals	29,593	2,329	0	5,542	0
Non Budgeted Funds	0	(633)	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(27,881)	(2,972)	0	(19,960)	0
Budget Basis	<u>\$124,319</u>	<u>\$980</u>	<u>\$147,611</u>	<u>(\$4,509,032)</u>	<u>(\$2,132)</u>

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

	<u>Enterprise</u>	<u>Trust</u>
Net Income (Loss)/Excess of Revenues Under Expenses Proprietary Fund Type and Nonexpendable Trust Fund		
		Nonexpendable
		Trust
GAAP Basis	\$154	\$5,091
Revenue Accruals	287	(80)
Expense Accruals	1,672	0
Depreciation Expense	221	0
Material and Supplies	98	0
Inventory	97	0
Inventory Held for Resale	(468)	0
Acquisition of Fixed Assets		
Encumbrances Outstanding at Year End (Budget Basis)	<u>(287)</u>	<u>0</u>
Budget Basis	<u>\$1,774</u>	<u>\$5,011</u>

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 or deposit accounts including passbook accounts.

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

Inactive monies are permitted to 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 or interest by the United States;

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligation, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

The "Cash and Cash Equivalents with Fiscal Agent" of \$4,374 shown in the special revenue funds is maintained with the Shelby County Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from their annual report.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$314,829 and the bank balance was \$329,144. Of the bank balance, \$171,244 was covered by federal depository insurance and \$157,900 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

5. DEPOSITS AND INVESTMENTS (Continued)

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered 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 had a repurchase agreement at year end, which is a Category 3 investment, with a fair value of \$149,789. In addition, the School District's investment in STAR Ohio was \$5,053,138 at June 30, 2001. The School District's investment in STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on the criteria set forth in GASB statement NO. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classification 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:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$5,514,230	\$ 7,900
Cash and Cash Equivalents		
With Fiscal Agent	(4,374)	0
Investments:		
STAR Ohio	(5,053,138)	5,053,138
Repurchase Agreement	(149,789)	149,789
Certificate of Deposit	7,900	(7,900)
GASB Statement 3	<u>\$ 314,829</u>	<u>\$5,202,927</u>

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 distributions occur in the first half of the following fiscal year.

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

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

6. PROPERTY TAXES (Continued)

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. Public utility property taxes for 2001 became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

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

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

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001 was \$49,891 in the general fund, and \$17,953 in the debt service fund.

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

	2000 Second- Half Collections		2001 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Ag/Residential and Other Real Estate	\$21,476,300	67.21%	\$24,758,240	70.30%
Public Utility (Pers)	2,880,350	9.01%	2,532,600	7.19%
Tang Personal Property	<u>7,599,740</u>	<u>23.78%</u>	<u>7,926,320</u>	<u>22.51%</u>
Total Assessed Value	<u>\$31,956,390</u>	<u>100.00%</u>	<u>\$35,217,160</u>	<u>100.00%</u>
Tax rate per \$100 of assessed valuation assessed valuation		33.2		39.45

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

7. INCOME TAX

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. 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.

8. RECEIVABLES

Receivables at June 30, 2001, consisted of both property and income taxes, intergovernmental, accrued interest and accounts receivable (State and Regional Tournament payments, book bills, vending receipts, and reimbursements.) All receivables are considered collectible in full due.

Intergovernmental receivables in the General Fund at June 30 were \$7,524 consisting of reimbursements from Upper Valley Joint Vocational School and Milton Union Local School. Intergovernmental receivable in the Special Revenue Funds was \$2,324, consisting of Title VIR grant.

9. FIXED ASSETS

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

Furniture and Equipment	\$12,000
Accumulated Depreciation	<u>(10,902)</u>
Net Fixed Assets	<u>\$ 1,098</u>

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

<u>Asset Category</u>	<u>Restated Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land, Buildings and Improvements	\$1,462,640	\$ 0	\$ 0	\$1,462,640
Furniture, Fixtures and Equipment	546,986	44,406	6,936	584,456
Vehicles	<u>215,086</u>	<u>0</u>	<u>0</u>	<u>215,086</u>
Totals	<u>\$2,224,712</u>	<u>\$44,406</u>	<u>\$6,936</u>	<u>\$2,262,182</u>

10. RISK MANAGEMENT

The School District contracted with Nationwide Mutual Insurance Co. for Property Insurance.

Coverages provided by Nationwide Mutual Insurance Company are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$6,388,800
Inland Marine Coverage (\$250 deductible)	173,433
Boiler and Machinery (\$250 deductible)	6,388,800

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

10. RISK MANAGEMENT (Continued)

The School District contracted with Nationwide Mutual Insurance Co. for Fleet Insurance. Coverages provided are as follows:

Automobile Liability Combined Single Limit (\$100 deductible)	\$2,000,000
Uninsured Motorist (\$100 deductible)	500,000
Medical Payments	5,000

The School District contracted with Nationwide Mutual Insurance Co. for General Liability Insurance. Coverages provided were as follows:

General Liability Per occurrence	\$1,000,000
Fire Damage Limit (any one fire)	100,000
Medical Expense Limit (any one person)	5,000
Total per year	5,000,000

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

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Grating Program (the Plan), an insurance purchasing pool (Note 16). The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the Plan.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the Plan.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

11. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the Russia Local School District is required to contribute an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$9,466, \$12,722, and \$19,761 respectively; 25.88 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$7,016 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2001, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$124,001, \$68,559, and \$58,338, respectively; 83.97 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$19,877 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, 4 members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board member contributes to SERS.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$58,737 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$30,879.

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

13. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees 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. Sick leave may be accumulated up to a maximum of 195 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 36 days for classified and certified employees

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance Company. The School District has elected to provide employee medical/surgical benefits through Anthem Blue Cross, Blue Shield. Employees electing Option I share the cost of the monthly premium with the Board. Employees electing Option II and Option III have the premium paid in full by the Board. Dental insurance is provided by the School District at no additional cost to employees who select Option III of the Health Insurance plan through Anthem.

14. LONG-TERM OBLIGATIONS

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

	Principal Outstanding <u>6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/01</u>
Gym Addition Bond 9.375%	\$165,000	0	\$35,000	\$ 130,000
Building Addition Bond 5.47%	0	4,500,000	0	4,500,000
Intergovernmental Payable	20,377	27,759	20,377	27,759
Compensated Absences	<u>131,237</u>	<u>17,523</u>	<u>22,838</u>	<u>125,922</u>
Total Long Term Obligation	<u>\$316,614</u>	<u>\$4,545,282</u>	<u>\$78,215</u>	<u>\$4,783,681</u>

Russia Local School Gym General Obligation Bonds

On November 1, 1985, Russia Local School District issued \$585,000 in voted general obligation bonds for the purpose of an addition and improvement to the junior high school gymnasium. The bonds were issued for a nineteen year period with final maturity at December 1, 2004, with an interest rate of 9.375%. The bond will be paid from the Debt Service Fund.

On May 9, 2001, Russia Local School District issued \$4,500,000 in voted general obligation bonds for the purpose of an addition and improvement to the building. The bonds were issued for a 28 year period with final maturity on December 1, 2028, with an interest rate of 5.397%. The bonds will be paid from the Debt Service Fund.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries and benefits are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

14. LONG-TERM OBLIGATIONS (Continued)

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a “special needs district” in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code. The School District was approved for “special needs district” status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$95,000	\$261,351	\$356,351
2003	115,000	236,329	351,329
2004	120,000	230,223	350,223
2005	125,000	223,846	348,846
2006	95,000	218,690	313,690
2007-2011	535,000	1,031,231	1,566,231
2012-2016	665,000	896,592	1,561,592
2017-2021	875,000	698,030	1,573,030
2022-2026	1,145,000	418,724	1,563,724
2027-2029	<u>860,000</u>	<u>76,188</u>	<u>936,188</u>
	<u>\$4,630,000</u>	<u>\$4,291,204</u>	<u>\$8,921,204</u>

15. JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization - The Russia Local School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education. 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 districts.

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools within each county plus one representative from the fiscal agent. The School District paid WOCO \$8,569 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. The School District paid SOEPC \$471 for membership during the fiscal year. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets will be distributed to the federal government or to a state or local government for a public purpose. Payments to SOITA are made from the General Fund. During the fiscal year 2001, the school district paid \$2,866 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Television Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Shelby County Local Professional Development Consortium - The School District is a participant in the Shelby County Local Professional Development Consortium which is a regional council of governments in accordance with Chapter 167 of the Ohio Revised Code. The Consortium was established to provide educator license/certificate renewal standards and procedures for professional growth. The Consortium is made up of the public school districts and the educational service center in Shelby County.

The executive committee consists of one teacher representative from each of the school districts and the educational service center, one superintendent elected by the superintendents, one principal elected by the principal, one administrator employed by the Shelby County Educational Service Center and one treasurer elected by the treasurers. The School District paid the Consortium \$376 for services provided during fiscal year 2001. Financial information can be obtained from Ann Shuttleworth, who serves as director at 129 E. Court St., Sidney, OH 45365

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

16. INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan - Russia Local School 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. The School District paid \$1,464 during fiscal year 2001.

Shelby County Schools Consortium - The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Medical Life Insurance Company for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. In fiscal year 2001, Russia Local School District contributed \$161,573 from the general fund. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

17. CONTINGENCIES

A. Grants

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

B. Litigation

There was no pending litigation against Russia Local School as of June 30, 2001.

18. SCHOOL FUNDING COURT DECISION

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

18. SCHOOL FUNDING COURT DECISION (Continued)

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

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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 Cash Balance as of June 30, 2000	\$ (6,107)	\$ 0	\$31,405
Current Year Set-aside Requirement	51,717	51,717	0
Reduction in requirement based on legislation	(0)	(0)	(20,076)
Offset	(0)	(4,500,000)	
Qualifying Disbursements	<u>(59,542)</u>	<u>(41,035)</u>	<u>0</u>
Set-aside Cash Balance as of June 30, 2001	<u>\$ (13,932)</u>	<u>\$ (4,489,189)</u>	<u>\$11,329</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ (13,932)</u>	<u>\$ (4,489,189)</u>	<u>\$11,329</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital acquisition set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for these set-asides at the end of the fiscal year was \$11,329.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Russia Local School District
Shelby County
PO Box 8
Russia, OH 45363

To the Board of Education:

We have audited the financial statements of Russia Local School District, Shelby County, (the District), as of and for the years ended June 30, 2002 and June 30, 2001, and have issued our report thereon dated December 23, 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.

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*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 23, 2002.

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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 23, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 23, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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RUSSIA LOCAL SCHOOL DISTRICT

SHELBY 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**