



***UNION SCIOTO
LOCAL SCHOOL DISTRICT***

ROSS COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2003

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS



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**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Union Scioto Local School District, Ross County, prepared by J. L. Uhrig and Associates, Inc., for the audit period July 1, 2002 to June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 22, 2004

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Scioto Local School District (the District) as of and for the year ended June 30, 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2003, and the respective changes in financial position and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

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

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

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 9, 2004

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

The discussion and analysis of Union Scioto Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets decreased \$4,071,258, which represents a 13.2 percent decrease from 2002.
- General revenues accounted for \$11,354,703, or 82.3 percent of all revenues. Program specific revenues in the form of charges for services and sales; operating grants, contributions and interest; and capital grants and contributions accounted for \$2,446,423 or 17.7 percent of total revenues of \$13,801,126.
- Total assets of governmental activities decreased by \$5,662,256. Of this, capital assets increased by \$4,575,487 and cash and cash equivalents decreased by \$10,337,748.
- The School District had \$17,872,384 in expenses; only \$2,446,423 of these expenses were offset by program specific charges for services, grants, interest, or contributions. General revenues (primarily taxes and grants and entitlements) of \$11,354,703 plus net assets at the beginning of the year of \$30,794,786 provided for these programs.
- The general fund had \$11,533,898 in revenues and \$11,999,448 in expenditures. The general fund's balance decreased \$552,288 over 2002.

Using the Basic Financial Statements

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

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

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund.

Governmental Funds

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

Proprietary Fund

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

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

Since the internal service fund exclusively benefits governmental functions, it has been included within government activities in the government-wide financial statements.

Fiduciary Fund

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

Table 1 Net Assets		
	2002	2003
Assets:		
Current and Other Assets	\$17,189,867	\$6,952,124
Capital Assets	26,387,707	30,963,194
Total Assets	43,577,574	37,915,318
Liabilities:		
Long-Term Liabilities	6,382,177	6,136,450
Other Liabilities	6,400,611	5,055,340
Total Liabilities	12,782,788	11,191,790
Net Assets:		
Invested in Capital Assets, Net of Debt	21,354,965	26,241,136
Restricted	10,291,285	1,554,438
Unrestricted	(851,464)	(1,072,046)
Total Net Assets	\$30,794,786	\$26,723,528

Total assets of governmental activities decreased by \$5,662,256 and capital assets increased by \$4,575,487. Capital assets increased due to construction of various school improvements, including a new elementary building and renovations to the middle/high school. The decrease in other liabilities is due to the completion of various school improvement projects. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

requirements, of the School District decreased by \$220,582. The School District is monitoring its spending and researching ways to generate additional revenues to help alleviate the deficit unrestricted net assets. Restricted net assets, the part of net assets that must be used according to legal requirements or by grant restrictions, of the School District decreased by \$8,736,847. This was due in large part by the expenditure of monies in fiscal year 2003 that were restricted for capital improvements at the end of fiscal year 2002, or, in other words, this amount was moved from restricted net assets in 2002 to Invested in Capital Assets, Net of Related Debt in 2003. Those amounts spent from restricted assets not resulting in an addition to capital assets were for assets purchased for the new school buildings that didn't meet the School District's revised capitalization threshold of \$5,000.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when the prior year's information is available, a comparative analysis of government-wide data will be presented.

Table 2
 Changes in Net Assets

	2003
Revenues	
Program Revenues:	
Charges for Services	\$565,547
Operating Grants, Contributions and Interest	1,858,561
Capital Grants and Contributions	22,315
Total Program Revenues	2,446,423
General Revenues:	
Income Taxes	752,292
Property Taxes	2,902,610
Grants and Entitlements	7,492,706
Other	207,095
Total General Revenues	11,354,703
Total Revenues	13,801,126
Program Expenses	
Instruction:	
Regular	10,048,006
Special	1,036,016
Vocational	16,902
Adult/Continuing	3,024
	(continued)

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

(continued)	<u>2003</u>
Support Services:	
Pupils	\$540,421
Instructional Staff	982,361
Board of Education	476,321
Administration	1,047,241
Fiscal	305,164
Operation and Maintenance of Plant	1,360,008
Pupil Transportation	830,286
Central	102,953
Operation of Non-Instructional Services	560,133
Extracurricular Activities	297,636
Interest and Fiscal Charges	<u>265,912</u>
Total Expenses	<u>17,872,384</u>
Decrease in Net Assets	<u><u>(\$4,071,258)</u></u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for School District operations. Property taxes made up 21.0 percent of revenues for governmental activities for the Union Scioto Local School District for fiscal year 2003.

Instruction comprises 62.1 percent of District expenses. Support services expenses make up 31.6 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made because they are not available.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

Table 3

	Total Cost of Services 2003	Net Cost of Services 2003
	<u>2003</u>	<u>2003</u>
Instruction	\$11,103,948	\$10,089,651
Support Services:		
Pupils	540,421	384,192
Instructional Staff	982,361	930,563
Board of Education	476,321	473,932
Administration	1,047,241	966,973
Fiscal	305,164	305,164
Operation and Maintenance of Plant	1,360,008	1,359,928
Pupil Transportation	830,286	351,796
Central	102,953	88,953
Operation of Non-Instructional Services	560,133	39,018
Extracurricular Activities	297,636	169,879
Interest and Fiscal Charges	265,912	265,912
Total Expenses	<u>\$17,872,384</u>	<u>\$15,425,961</u>

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

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

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

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

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

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

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

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

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

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

The dependence upon tax revenues is apparent. Instruction activities are supported through taxes and other general revenues by 90.9 percent; for all activities general revenue support is 86.3 percent.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,952,594 and expenditures of \$23,122,293. The net changes in fund balances for the year in the General Fund, Bond Retirement Fund, and the Classroom Facilities Fund were (\$552,288), (\$9,049), and (\$8,483,868), respectively.

The net change in fund balance was caused in the General Fund by increases in expenditures, particularly increased costs of health insurance benefits and of fleet, property and liability insurance. The Bond Retirement Fund increased expenditures for bond principal and interest over the prior year. The Classroom Facilities Fund paid for the completion of the new elementary building and the renovations to the middle/high school buildings. These monies account for the significant decrease to fund balance in the Classroom Facilities Fund.

General Fund Budgeting Highlights

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

At the end of fiscal year 2003, the School District amended its General Fund budget, (and all other funds' budgets) so that the final appropriations equaled actual expenditures for the fiscal year. This resulted in the General Fund's appropriations, including transfers, decreasing \$491,564, a 3.8 percent decrease.

For the General Fund, the budget basis revenue and other financing sources only differed from the original budgeted estimates of \$11,843,540 by (\$255,630) to \$11,587,910.

At the end of fiscal year 2003, the School District originally filed an amended certificate of estimated revenues which had estimated revenues equaling actual revenues. The School District budgeted \$8,664,811 intergovernmental revenues. The School District received \$8,334,003 in intergovernmental revenue. Actual intergovernmental revenues were less than the original budget for the fiscal year by (\$330,808), respectively. The majority of the difference was due to the reduction of foundation monies received by the School District in the spring of 2003.

Capital Assets

At the end of the fiscal year 2003, the School District had \$30,963,194 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, vehicles, and textbooks and instructional media.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

Table 4 shows fiscal year 2003 balances compared to fiscal year 2002.

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

	2002	2003
Land	\$444,360	\$444,360
Construction in Progress	23,227,637	0
Land Improvements	150,376	1,074,927
Buildings and Improvements	1,611,207	27,720,281
Furniture, Fixtures and Equipment	200,184	825,246
Vehicles	291,899	403,262
Textbooks and Instructional Media	462,044	495,118
Totals	\$26,387,707	\$30,963,194

Overall capital assets increased \$4,574,120 from fiscal year 2002 to fiscal year 2003. Increases in capital assets (primarily land improvements, buildings and improvements, and furniture, fixtures, and equipment) were offset by depreciation expense for the year. The construction in progress in fiscal year 2002 relates to the various school improvements made possible mainly due to the issuance of debt during fiscal year 2001 and the receipt of School Facilities monies. The project was completed during fiscal year 2003, thus resulting in the large increases as described above. The majority of equipment purchased during fiscal year 2003 was for furnishings in the new school buildings. See Note 10 to the basic financial statements for more detailed information.

Debt Administration

At June 30, 2003, the School District had \$4,577,986 in total outstanding debt of bonds and loans. This figure includes premium amortization and accretion on capital appreciation bonds. The School District also had capital leases payable at fiscal year-end of \$171,130. At June 30, 2003, the School District's overall legal debt margin was \$7,186,699, the energy conservation loan debt margin was \$992,053, and the unvoted debt margin was \$123,561. Table 5 summarizes the debt outstanding at fiscal year-end.

Table 4
 Outstanding Debt, at June 30,
 Outstanding Debt, at June 30,

	2002	2003
General Obligation Bonds	\$4,781,477	\$4,457,986
Energy Conservation Loan	175,000	120,000
Capital Leases	76,265	171,130
Totals	\$5,032,742	\$4,749,116

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

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

Current Financial Issues and Concerns

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

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

We have reached the completion of the Ohio School Facilities Commission project, the school districts facilities are in excellent physical condition and allow the Board of Education and administration to provide a safe and pleasant environment for students to...believe, achieve and succeed.

Voters of the School District approved the renewal of a one-half percent tax on the income of residents and of estates within the School District. This levy begins January, 2005 and will continue for five years.

The School District also has a considerable amount of state tax-exempt property and has pursued this issue with the assistance of the County Auditor. It appears that the School District is entitled to receive an additional allowance in state funding and anticipates receiving this in the next school year.

Currently, the Board of Education is negotiating with the classified union. Their contract expired June 30, 2003. Discussions are on-going.

Due to increasing health care costs, the School District has switched the exempt and certified staff from a traditional health insurance to a preferred provider organization. This insurance coverage is handled through the Ross County School Employees Insurance Consortium, the School District's claims servicing pool. The School District is hopeful that they will be able to negotiate this option with the classified staff. This change in coverage will help the district control their health care costs.

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

Contacting the School District's Financial Management

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

Union Scioto Local School District
Statement of Net Assets
June 30, 2003

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$2,445,349
Cash and Cash Equivalents With Escrow Agent	186,246
Cash and Cash Equivalents With Fiscal Agent	299,730
Materials and Supplies Inventory	14,728
Intergovernmental Receivable	798,740
Prepaid Items	25,428
Taxes Receivable	2,867,133
Income Taxes Receivable	314,770
Capital Assets:	
Land	444,360
Depreciable Capital Assets, Net	30,518,834
<i>Total Assets</i>	37,915,318
<u>Liabilities:</u>	
Accounts Payable	87,652
Contracts Payable	306,388
Accrued Wages and Benefits Payable	1,340,285
Intergovernmental Payable	354,444
Accrued Interest Payable	19,070
Matured Compensated Absences Payable	38,938
Retainage Payable	186,246
Deferred Revenue	2,578,284
Claims Payable	144,033
Long-Term Liabilities:	
Due Within One Year	614,457
Due Within More Than One Year	5,521,993
<i>Total Liabilities</i>	11,191,790
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	26,241,136
Restricted for:	
Debt Service	484,808
Capital Projects	822,081
Other Purposes	247,549
Unrestricted	(1,072,046)
<i>Total Net Assets</i>	\$26,723,528

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$10,048,006	\$103,388	\$160,655	\$0	(\$9,783,963)
Special	1,036,016	0	750,254	0	(285,762)
Vocational	16,902	0	0	0	(16,902)
Adult/Continuing	3,024	0	0	0	(3,024)
Support Services:					
Pupils	540,421	0	156,229	0	(384,192)
Instructional Staff	982,361	0	29,483	22,315	(930,563)
Board of Education	476,321	2,389	0	0	(473,932)
Administration	1,047,241	72,091	8,177	0	(966,973)
Fiscal	305,164	0	0	0	(305,164)
Operation and Maintenance of Plant	1,360,008	80	0	0	(1,359,928)
Pupil Transportation	830,286	0	478,490	0	(351,796)
Central	102,953	0	14,000	0	(88,953)
Operation of Non-Instructional Services:					
Food Services	555,017	278,303	242,812	0	(33,902)
Other	5,116	0	0	0	(5,116)
Extracurricular Activities	297,636	109,296	18,461	0	(169,879)
Interest and Fiscal Charges	265,912	0	0	0	(265,912)
Total Governmental Activities	\$17,872,384	\$565,547	\$1,858,561	\$22,315	(15,425,961)
General Revenues					
					752,292
					2,285,066
					570,361
					47,183
					7,492,706
					19,500
					90,314
					97,281
Total General Revenues					11,354,703
Change in Net Assets					(4,071,258)
<i>Net Assets Beginning of Year - See Note 3</i>					30,794,786
<i>Net Assets End of Year</i>					\$26,723,528

See accompanying notes to the basic financial statements

Union Scioto Local School District
Balance Sheet
Governmental Funds
June 30, 2003

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$871,835	\$479,442	\$524,265	\$535,108	\$2,410,650
Restricted Assets:					
Cash and Cash Equivalents With Escrow Agents	0	0	186,246	0	186,246
Receivables:					
Property Taxes	2,318,721	499,147	0	49,265	2,867,133
Income Taxes	314,770	0	0	0	314,770
Intergovernmental	0	0	397,000	76,659	473,659
Interfund	82,068	0	0	0	82,068
Prepaid Items	25,428	0	0	0	25,428
Materials and Supplies Inventory	0	0	0	14,728	14,728
<i>Total Assets</i>	<u>\$3,612,822</u>	<u>\$978,589</u>	<u>\$1,107,511</u>	<u>\$675,760</u>	<u>\$6,374,682</u>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Accounts Payable	\$63,884	\$0	\$1,496	\$22,272	\$87,652
Accrued Wages and Benefits Payable	1,295,322	0	0	44,963	1,340,285
Contracts Payable	0	0	306,388	0	306,388
Retainage Payable	0	0	186,246	0	186,246
Intergovernmental Payable	235,038	0	0	6,216	241,254
Interfund Payable	0	0	0	82,068	82,068
Matured Compensated Absences Payable	35,990	0	0	2,948	38,938
Deferred Revenue	2,179,004	455,944	397,000	45,041	3,076,989
<i>Total Liabilities</i>	<u>3,809,238</u>	<u>455,944</u>	<u>891,130</u>	<u>203,508</u>	<u>5,359,820</u>
<u>Fund Balances:</u>					
Reserved for Encumbrances	237,943	0	70,341	47,228	355,512
Reserved for Property Taxes	192,474	43,203	0	4,224	239,901
Reserved for Unclaimed Monies	4,006	0	0	0	4,006
Unreserved, Undesignated, Reported in:					
General Fund	(630,839)	0	0	0	(630,839)
Special Revenue Funds	0	0	0	213,770	213,770
Debt Service Fund	0	479,442	0	0	479,442
Capital Projects Funds	0	0	146,040	207,030	353,070
<i>Total Fund Balances</i>	<u>(196,416)</u>	<u>522,645</u>	<u>216,381</u>	<u>472,252</u>	<u>1,014,862</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,612,822</u>	<u>\$978,589</u>	<u>\$1,107,511</u>	<u>\$675,760</u>	<u>\$6,374,682</u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003*

Total Governmental Fund Balances \$1,014,862

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

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

Land	444,360	
Other capital assets	36,481,881	
Accumulated depreciation	<u>(5,963,047)</u>	
Total capital assets		30,963,194

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

Delinquent property taxes	48,948	
Income taxes	52,757	
Intergovernmental	<u>397,000</u>	
		498,705

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

515,477

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

(113,190)

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

Bonds payable	(4,430,928)	
Energy Conservation Loan payable	(120,000)	
Accretion on bonds	(27,058)	
Accrued interest on bonds	(19,070)	
Capital leases	(171,130)	
Compensated absences	<u>(1,387,334)</u>	
Total liabilities		<u>(6,155,520)</u>

Net Assets of Governmental Activities

\$26,723,528

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$2,277,505	\$569,302	\$0	\$47,064	\$2,893,871
Income Taxes	699,535	0	0	0	699,535
Intergovernmental	8,334,003	62,904	99,900	1,053,826	9,550,633
Interest	24,653	0	65,661	0	90,314
Tuition and Fees	103,388	0	0	0	103,388
Rent	80	0	0	0	80
Extracurricular Activities	0	0	0	181,387	181,387
Contributions and Donations	19,500	0	0	35,913	55,413
Customer Sales and Services	2,389	0	0	278,303	280,692
Miscellaneous	72,845	818	0	23,618	97,281
Total Revenues	11,533,898	633,024	165,561	1,620,111	13,952,594
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	5,938,748	0	0	223,018	6,161,766
Special	650,930	0	0	400,506	1,051,436
Vocational	17,074	0	0	0	17,074
Adult/Continuing	0	0	0	3,024	3,024
Support Services:					
Pupils	391,064	0	0	155,051	546,115
Instructional Staff	847,511	0	0	110,909	958,420
Board of Education	476,594	0	0	0	476,594
Administration	882,841	0	0	105,179	988,020
Fiscal	307,139	11,468	0	1,141	319,748
Operation and Maintenance of Plant	1,332,368	0	0	47,011	1,379,379
Pupil Transportation	722,251	0	0	0	722,251
Central	24,950	0	0	78,003	102,953
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	551,370	551,370
Other	5,116	0	0	0	5,116
Extracurricular Activities	149,245	0	0	156,131	305,376
Capital Outlay	195,661	0	8,649,429	0	8,845,090
Debt Service:					
Principal Retirement	42,344	380,000	0	0	422,344
Interest and Fiscal Charges	15,612	250,605	0	0	266,217
Total Expenditures	11,999,448	642,073	8,649,429	1,831,343	23,122,293
Excess of Revenues Under Expenditures	(465,550)	(9,049)	(8,483,868)	(211,232)	(9,169,699)
<u>Other Financing Sources (Uses):</u>					
Inception of Capital Lease	166,881	0	0	0	166,881
Transfers-In	0	0	0	253,619	253,619
Transfers-Out	(253,619)	0	0	0	(253,619)
Total Other Financing Sources (Uses)	(86,738)	0	0	253,619	166,881
Net Change in Fund Balances	(552,288)	(9,049)	(8,483,868)	42,387	(9,002,818)
Fund Balances at Beginning of Year - Restated (Note 3)	355,872	531,694	8,700,249	429,865	10,017,680
Fund Balances (deficit) at End of Year	(\$196,416)	\$522,645	\$216,381	\$472,252	\$1,014,862

See accompanying notes to the basic financial statements

Union Scioto Local School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$9,002,818)

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

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

Capital assets additions	5,372,532	
Depreciation expense	(768,740)	
Excess of capital outlay over depreciation expense	4,603,792	4,603,792

The proceeds from the sale of fixed assets are reported as revenue in the governmental funds. However, the cost of capital assets are removed from the capital asset account in the statement of net assets and offset against the proceeds from the sale of fixed assets resulting in a loss on the sale of fixed assets in the statement of activities.

Loss on disposal of fixed assets	(28,305)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	8,739	
Income taxes	52,757	
Intergovernmental	(212,964)	
Total (increase)/decrease	(151,468)	(151,468)

The internal service fund used by management to charge the cost of insurance to individual funds is reported in the entity-wide statements of activities. 247,645

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (166,881)

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

Bond principal retirement	325,000	
Energy Conservation Loan principal retirement	55,000	
Capital lease payments	72,016	
Total long-term debt repayment	452,016	452,016

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

Increase in compensated absences payable	(37,899)	
Decrease in accrued interest	1,814	
Decrease in intergovernmental payable	12,355	
Accretion on bonds	(1,509)	
Total (increase)/decrease	(25,239)	(25,239)

Change in Net Assets of Governmental Activities (\$4,071,258)

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2003

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property Taxes	\$2,201,839	\$2,242,921	\$2,242,921	\$0
Income Taxes	760,000	778,105	778,105	0
Intergovernmental	8,664,811	8,334,003	8,334,003	0
Interest	65,040	24,653	24,653	0
Tuition and Fees	115,150	107,267	107,267	0
Rent	1,600	80	80	0
Contributions and Donations	12,100	19,500	19,500	0
Customer Sales and Service	0	2,389	2,389	0
Miscellaneous	22,000	67,782	67,782	0
Total Revenues	11,842,540	11,576,700	11,576,700	0
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,337,601	5,979,952	5,979,952	0
Special	495,261	632,077	632,077	0
Vocational	19,804	16,559	16,559	0
Support Services:				
Pupils	373,486	393,680	393,680	0
Instructional Staff	877,349	809,581	809,581	0
Board of Education	551,908	598,768	598,768	0
Administration	941,795	831,768	831,768	0
Fiscal	291,197	323,530	323,530	0
Operation and Maintenance of Plant	1,561,893	1,305,322	1,305,322	0
Pupil Transportation	693,168	723,361	723,361	0
Central	3,513	24,950	24,950	0
Operation of Non-Instructional Services:				
Food Service	5,695	0	0	0
Extracurricular Activities:				
Academic Oriented Activities	19	0	0	0
Sports Oriented Activities	161,294	165,520	165,520	0
Capital Outlay	16,537	128,817	128,817	0
Total Expenditures	12,330,520	11,933,885	11,933,885	0
Excess of Revenues Under Expenditures	(487,980)	(357,185)	(357,185)	0
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	1,000	11,210	11,210	0
Transfers Out	(595,740)	(500,811)	(500,811)	0
Advances Out	0	(76,659)	(76,659)	0
Total Other Financing Sources (Uses)	(594,740)	(566,260)	(566,260)	0
Net Change in Fund Balance	(1,082,720)	(923,445)	(923,445)	0
Fund Balance at Beginning of Year	1,315,964	1,315,964	1,315,964	0
Prior Year Encumbrances Appropriated	219,351	219,351	219,351	0
Fund Balance at End of Year	\$452,595	\$611,870	\$611,870	\$0

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2003

	<u>Self-Insurance</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$34,699
Cash and Cash Equivalents with Fiscal Agent	299,730
Receivables: Intergovernmental	325,081
<i>Total Assets</i>	659,510
 <u>Liabilities:</u>	
Claims Payable	144,033
 <u>Net Assets:</u>	
Unrestricted	\$515,477

See accompanying notes to the basic financial statements

Union Scioto Local School District
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2003*

	Self-Insurance
<u>Operating Revenues:</u>	
Charges for Services	\$2,061,548
<u>Operating Expenses:</u>	
Purchased Services	161,854
Claims	1,652,049
<i>Total Operating Expenses</i>	1,813,903
<i>Change in Net Assets</i>	247,645
<i>Net Assets at Beginning of Year</i>	267,832
<i>Net Assets at End of Year</i>	\$515,477

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2003

	<u>Self-Insurance</u>
<i>Increase in Cash and Cash Equivalents:</i>	
<u>Cash Flows from Operating Activities:</u>	
Receipts from Interfund Services Provided	\$2,061,548
Cash Payments to Suppliers for Goods and Services	(161,854)
Cash Payments for Claims	(1,709,253)
Net Cash Provided by Operating Activities	190,441
<u>Cash Flows from Noncapital Financing Activities:</u>	
Repayment of Loans from Other Governments	390,558
Short-Term Loans to Other Governments	(325,081)
Net Cash Provided by Noncapital Financing Activities	65,477
Increase in Cash and Cash Equivalents	255,918
Cash and Cash Equivalents at Beginning of Year	78,511
Cash and Cash Equivalents at End of Year	\$334,429
<i>Reconciliation of Operating Income to Net Cash</i>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$247,645
<i>Adjustments to Reconcile Operating Loss to</i>	
<u>Net Cash Provided by Operating Activities:</u>	
Decrease in Claims Payable	(57,204)
Net Cash Provided by Operating Activities	\$190,441

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$59,926</u></u>
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Liabilities:

Undistributed Monies	<u><u>\$59,926</u></u>
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See accompanying notes to the basic financial statements

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1935 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 80 square miles. It is located in Ross County, and includes all of Union and Scioto Townships. It is staffed by 77 non-certificated employees, 110 certificated full-time teaching personnel, and 15 administrative employees who provide services to 1,891 students and other community members. The School District currently operates four instructional buildings, one administrative building, one maintenance building, and a bus garage.

Reporting Entity:

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

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

The School District participates in eight organizations, five of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a claims servicing pool. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross County Career and Technology Center, the Great Seal Education Network of Tomorrow, the Coalition of Rural and Appalachian Schools, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, the Ohio School Plan, and the Ross County School Employees Insurance Consortium. These organizations are presented in Notes 18, 19 and 20 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Union Scioto Local School District have been prepared in conformity with generally accepted account principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District’s accounting policies are described below.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds:

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Classroom Facilities Fund – To account for the receipts and expenditures related to the construction of school buildings.

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

Proprietary Fund:

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

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

Fiduciary Funds:

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. The balance of the School District's funds held by the claims administrator and the fiscal agent at June 30, 2003, is presented as "Cash and Cash Equivalents with Fiscal Agent" on the balance sheet.

During fiscal year 2003, investments were limited to repurchase agreements and certificates of deposit, which are reported at cost, and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

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 2003 amounted to \$24,653.

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

assets in the classroom facilities fund represent cash equivalents set aside by the School District for the payment of retainage that has been withheld from contractors until construction projects are complete.

G. Inventory

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fifteen years of service with the School District.

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

L. Accrued Liabilities and Long-term Obligations

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

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

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, property taxes, and unclaimed monies.

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

N. Net Assets

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

other governments. Net assets restricted for other purposes include activities for food service operations, and federal and state grants restricted to expenditures for specified purposes.

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

O. Interfund Transactions

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

P. Budgetary Process

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

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

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

Q. Estimates

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2003 the School District has implemented GASB Statement No. 34, “*Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*,” GASB Statement No. 37, “*Basic Financial Statements for State and Local Governments: Omnibus*”, GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”, GASB Statement No. 41, “*Budgetary Comparison Schedules - Perspective Differences.*”, and GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*”.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The government-wide financial statements combine the governmental activities into one column.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues, and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosure.

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. The implementation of this statement had no effect on the presentation of budgetary statements by the School District for fiscal year 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

The implementation of these Statements and the correction of prior year errors had the following effect on the fund balances of major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

Intergovernmental payables were overstated in the prior year, resulting in a restatement of \$21,221 in the nonmajor, Interactive Video Distance Learning Capital Projects Fund funds..

The School District also changed its capital assets threshold from five hundred dollars to five thousand dollars.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES (continued)

	General	Retirement	Facilities	Nonmajor	Total
Fund Balances, June 30, 2002	\$254,238	\$531,694	\$8,700,249	\$405,149	\$9,891,330
Interpretation No. 6					
Adjustment	101,634	0	0	3,495	105,129
Correction of an Error	0	0	0	21,221	21,221
Adjusted Fund Balances, June 30, 2002	\$355,872	\$531,694	\$8,700,249	\$429,865	10,017,680
GASB 34 Adjustments:					
Deferred Assets:					
Intergovernmental Receivables					609,964
Delinquent Property Taxes					40,209
Capital Assets					26,387,707
Accrued Interest Payable					(20,884)
Intergovernmental Payables					(125,545)
Long Term Liabilities:					
General Obligation Bonds Payable					(4,781,477)
Energy Conservation Loan					(175,000)
Compensated Absences Payable					(1,349,435)
Capital Leases Payable					(76,265)
Governmental Activities Net Assets, June 30, 2002					30,526,954
Internal Balances					267,832
Adjusted Governmental Activities Net Assets, June 30, 2002					\$30,794,786

NOTE 4 – ACCOUNTABILITY

At June 30, 2003, the General Fund and the Food Service, Title I, and Early Childhood Grant Special Revenue Fund had deficit fund balances of \$196,416, \$35,510, \$642, and \$5,409, respectively. These deficit balances are the result of the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. On a cash basis, the School District has sufficient money for its current operations.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance.
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

Net Change in Fund Balances

	General
GAAP Basis	(\$552,288)
Adjustments:	
Revenue Accruals	(112,869)
Expenditure Accruals	325,528
Transfers	(247,192)
Advances	(76,659)
Encumbrances	(259,965)
Budget Basis	(\$923,445)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of 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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$914,193 and the bank balance was \$2,675,893. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,575,893 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 3	Unclassified	Carrying and Fair Value
STAROhio	\$0	\$375,712	\$375,712
Repurchase Agreements	1,698,846	0	1,698,846
Totals	\$1,698,846	\$375,712	\$2,074,558

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."* A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$2,991,251	\$0
Cash on Hand	(2,500)	0
Investments:		
STAROhio	(375,712)	375,712
Repurchase Agreements	(1,698,846)	1,698,846
GASB Statement No. 3	\$914,193	\$2,074,558

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 7 - PROPERTY TAXES (continued)

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

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

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$192,474 in the General Fund, \$43,203 in the Bond Retirement Debt Service Fund and \$4,224 in Other Governmental Funds. The amount available as an advance at June 30, 2002, was \$157,890 in the General Fund, \$35,526 in the Bond Retirement Debt Service Fund and \$3,472 in Other Governmental Funds.

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$112,360,010	93.42%	\$114,817,950	92.93%
Public Utility	5,865,840	4.88%	6,565,880	5.31%
Tangible Personal Property	2,043,020	1.70%	2,177,630	1.76%
Total Assessed Value	\$120,268,870	100.00%	\$123,561,460	100.00%
Tax rate per \$1,000 of assessed valuation	\$36.80		\$36.80	

NOTE 8 – INCOME TAX

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

NOTE 9 - RECEIVABLES

Receivables at June 30, 2003, consisted of property and income taxes, interfund, and intergovernmental grants. The Self-Insurance Internal Service Fund intergovernmental receivable consists of claims payments made on behalf of other members of the Ross County Insurance Consortium using surplus monies of the School District. The School District believes that all receivables, except for the Internal Service Fund receivables, are considered fully collectible within one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Internal Service receivables are considered to be fully collectible.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Title IV-A	\$7,432
Title II-A	64,212
Title II-D	5,015
State Classroom Facilities	397,000
Short-Term Loans to Other Governments	325,081
Total Governmental Activities	\$798,740

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance at 6/30/2002	Additions	Deletions	Balance at 6/30/2003
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$444,360	\$0	\$0	\$444,360
Construction in Progress	23,227,637	496,900	23,724,537	0
Total Capital Assets Not Being Depreciated	23,671,997	496,900	23,724,537	444,360
Capital Assets Being Depreciated:				
Land Improvements	384,343	957,813	0	1,342,156
Buildings and Improvements	5,503,453	26,652,943	0	32,156,396
Furniture, Fixtures and Equipment	357,997	736,332	70,761	1,023,568
Vehicles	1,202,632	217,000	0	1,419,632
Textbooks and Educational Media	504,048	36,081	0	540,129
Totals at Historical Cost	7,952,473	28,600,169	70,761	36,481,881
Less Accumulated Depreciation:				
Land Improvements	(233,967)	(33,262)	0	(267,229)
Buildings and Improvements	(3,892,246)	(543,869)	0	(4,436,115)
Furniture, Fixtures and Equipment	(157,813)	(82,965)	(42,456)	(198,322)
Vehicles	(910,733)	(105,637)	0	(1,016,370)
Textbooks and Educational Media	(42,004)	(3,007)	0	(45,011)
Total Accumulated Depreciation	(5,236,763)	(768,740) *	(42,456)	(5,963,047)
Total Capital Assets Being Depreciated, Net	2,715,710	27,831,429	28,305	30,518,834
Governmental Activities Capital Assets, Net	\$26,387,707	\$28,328,329	\$23,752,842	\$30,963,194

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$570,221
Special	422
Support Services:	
Pupils	5,499
Instructional Staff	33,644
Administration	16,840
Fiscal	2,851
Operation and Maintenance of Plant	1,475
Pupil Transportation	110,620
Operation of Non-Instructional Services:	
Food Service	13,040
Extracurricular Activities	14,128
Total Depreciation Expense	\$768,740

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Indiana Insurance for building and contents and fleet insurance.

Insurance coverage provided includes the following:

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

During fiscal year 2003, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 19).

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

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

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - RISK MANAGEMENT (continued)

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover costs of administering the program.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of sixteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$144,033 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2002	\$187,840	\$1,900,180	\$1,886,783	\$201,237
2003	201,237	1,652,049	1,709,253	144,033

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 12 - 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 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$ 154,929, \$58,343, and \$53,041, respectively; 73.40 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2002 and 2001. \$41,218 represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System of Ohio

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

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2003, 2002, and 2001 were \$766,021, \$519,912, and \$537,017, respectively; 85.00 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2003, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$58,925 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$143,057.

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, 2002

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

(the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. An unlimited amount of sick leave may be accumulated for all personnel. Upon retirement, payment is made for one-half of accrued, but unused sick leave credit to a maximum payment of 180 days for all employees.

B. Insurance Benefits

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

C. Deferred Compensation

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

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2003 and in prior years, the School District entered into capitalized leases for copiers and other office equipment. All leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

The assets acquired through capital leases as of June 30, 2003, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Office Equipment	\$241,791	\$60,932	\$180,859

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The School District entered into new leases during the fiscal year prior to the full retirement of existing leases. Therefore \$29,672 remaining on the old leases was eliminated on the financial statements upon entering into the new leases. Principal payments in fiscal year 2003 totaled \$42,344 in the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30,	Total Payments
2004	\$66,141
2005	47,483
2006	44,282
2007	31,431
2008	13,550
Total	202,887
Less: Amount Representing Interest	(31,757)
Present Value of Net Minimum Lease Payments	\$171,130

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2003 were as follows:

	Amount Outstanding 6/30/02	Additions	Deductions	Amount Outstanding 6/30/03	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
1995 Permanent Improvement					
Bonds - 5.75%	\$630,000	\$0	\$200,000	\$430,000	\$210,000
2000 School Improvement					
Bonds - 4.4% to 5.5%					
Term Bonds	2,600,000	0	125,000	2,475,000	140,000
Serial Bonds	1,445,000	0	0	1,445,000	0
Capital Appreciation Bonds	80,928	0	0	80,928	0
Accretion on Cap. Apprec.	25,549	1,509	0	27,058	0
1995 Energy Conservation					
Loan - 5.72%	175,000	0	55,000	120,000	60,000
Capital Leases	76,265	166,881	72,016	171,130	50,873
Compensated Absences	1,349,435	181,257	143,358	1,387,334	153,584
Total Governmental Activities					
Long-Term Obligations	\$6,382,177	\$349,647	\$595,374	\$6,136,450	\$614,457

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the Permanent Improvement Bonds outstanding at June 30, 2003, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$210,000	\$20,150	\$230,150
2005	220,000	6,820	226,820
Total	\$430,000	\$26,970	\$456,970

2000 School Improvement Bonds – On November 14, 2000, the School District issued \$4,225,928 of voted general obligation bonds for purpose of constructing a new elementary school building and a new high school building. \$1,545,000 were issued as serial bonds with interest rates ranging from 4.4% to 4.85%. \$2,600,000 were issued as term bonds with an interest rate of 5.5%. \$80,928 were issued as capital appreciation bonds. The bonds were issued for a twenty-three year period, with final maturity December 1, 2022. The bonds will be retired from the Bond Retirement Debt Service Fund.

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

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

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

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

The serial bonds and capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal years 2011 and 2012. The maturity amount of the bonds is \$400,000. For fiscal year 2003, \$1,509 was accreted on the capital appreciation bonds for a total outstanding bond value for the entire issue of \$4,053,535 at fiscal year-end.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30,	Term Bonds	Serial Bonds	Capital Appreciation Bonds	Interest	Total
2004	\$0	\$140,000	\$0	\$201,715	\$341,715
2005	0	145,000	0	195,266	340,266
2006	0	155,000	0	188,403	343,403
2007	0	160,000	0	181,118	341,118
2008	0	170,000	0	173,403	343,403
2009-2013	0	550,000	80,928	1,074,586	1,705,514
2014-2018	1,125,000	0	0	566,913	1,691,913
2019-2023	1,475,000	0	0	211,063	1,686,063
Totals	<u>\$2,600,000</u>	<u>\$1,320,000</u>	<u>\$80,928</u>	<u>\$2,792,467</u>	<u>\$6,793,395</u>

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

Principal and interest requirements to retire the Energy Conservation Loan outstanding at June 30, 2003, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$60,000	\$6,978	\$66,978
2005	60,000	3,480	63,480
Total	<u>\$120,000</u>	<u>\$10,458</u>	<u>\$130,458</u>

Capital leases will be paid from the General Fund. Compensated absences will be paid from the General Fund and the Food Service Special Revenue Fund.

The School District's overall legal debt margin was \$7,186,699 with an unvoted debt margin of \$123,561, and an Energy Conservation debt margin of \$992,053 at June 30, 2003.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 17 - INTERFUND ACTIVITY

As of June 30, 2003, interfund receivables and payables that resulted from various interfund transactions were as follows:

		Receivable
		<u>General</u>
Payable	Other Nonmajor	
	Governmental Funds	<u><u>\$82,068</u></u>

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

Transfers made during the year ended June 30, 2003 were as follows:

		Transfers From
		<u>General</u>
Transfers To	Other Nonmajor Governmental Funds	<u><u>\$253,619</u></u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent.

The School District paid SCOCA \$52,083 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Pickaway-Ross County Career and Technology Center

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

C. Great Seal Education Network of Tomorrow

The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members. The Council possesses its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601. The School District paid \$300 to the Council for services provided during the year.

D. Coalition of Rural and Appalachian Schools

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

E. Pilasco-Ross Special Education Regional Resource Center

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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

NOTE 19 - INSURANCE PURCHASING POOLS

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

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

B. Ohio School Plan

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

NOTE 20 - CLAIMS SERVICING POOL

Ross County School Employees Insurance Consortium

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 21 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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.

For the fiscal year ended June 30, 2003, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refunds received from the Bureau of Workers' Compensation, which must be spent for specified purposes. The prior year's set-aside balance for budget stabilization was spent during the fiscal year.

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2002	\$22,556	\$0	\$40,363
Current Year Set-aside Requirement	265,840	265,840	0
Current Year Offsets	0	(55,351)	0
Qualifying Disbursements	<u>(296,302)</u>	<u>(494,717)</u>	<u>(40,363)</u>
Set-aside Reserve Balance as of June 30, 2003	<u><u>(\$7,906)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

The School District had qualifying disbursements during the fiscal year that reduced the textbooks set-aside amount to below zero. This extra amount may be used to reduce the set-aside requirement for textbooks in future fiscal years. Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance in capital acquisitions to zero.

NOTE 22 - STATE SCHOOL FUNDING DECISION

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

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

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 23 - CONTINGENCIES

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

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

NOTE 24 – SUBSEQUENT EVENTS

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

Union Scioto Local School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2003

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU-2003	10.553	\$26,250	\$26,250
National School Lunch Program	LL-P4 2003	10.555	136,042	136,042
Total U.S. Department of Agriculture			162,292	162,292
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 2003	84.010	384,930	401,240
Special Education - Grants to States (IDEA Part B)	6B-SF 2002 P	84.027	147,165	147,165
Safe and Drug-Free Schools and Communities	DR-S1-03	84.186	1,632	9,716
Goals 2000: Improvement Grants	G2-S1 02/03	84.276	0	3,825
Eisenhower Professional Development Grant	MS-S1 2002	84.281	90	1,505
Innovative Educational Program Strategies	C2-S1 2003	84.298	12,543	14,418
Technology Literacy Challenge	TJ-S1 2003	84.318	1,950	6,965
Class Size Reduction	CR-S1 2002	84.340	15,437	15,437
School Renovation Grant	AT-S3 2002	84.352	28,316	28,217
Improving Teacher Quality Grants	TR-S1 2003	84.367	14,095	78,625
Total U.S. Department of Education			606,158	707,113
Total Federal Financial Assistance			\$768,450	\$869,405

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2003, the District received \$67,939 and used \$58,633 in fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. At June 30, 2003 the District's food commodities inventory was \$14,653.

Note 2 - Significant Accounting Policies

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

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Scioto Local School District (the District), as of and for the year ended June 30, 2003 and have issued our report thereon dated June 9, 2004. During the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis* - for State and Local Governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated June 9, 2004.

Union Scioto Local School District
Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 9, 2004

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

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

Compliance

We have audited the compliance of Union Scioto Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

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

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

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

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 9, 2004

UNION SCIOTO LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2003

A. SUMMARY OF AUDITOR'S RESULTS

1. Type of Financial Statement Opinion	Unqualified
2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?	No
4. Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
5. Were there any material internal control weaknesses reported for major federal programs?	No
6. Were there any other reportable internal control weaknesses reported for major federal programs?	No
7. Type of Major Programs' Compliance Opinion	Unqualified
8. Are there any reportable findings under § .510?	No
9. Major Programs (list):	CFDA #10.550/3/5 Nutrition Cluster CFDA #84.367 Improving Teacher Quality
10. Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Other Programs
11. Low Risk Auditee?	Yes

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

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

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.

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Betty Montgomery**

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UNION SCIOTO LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 6, 2004**