



***UNION SCIOTO
LOCAL SCHOOL DISTRICT***

ROSS COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2000

J. L. UHRIG & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANT

**78 North Plaza Blvd.
Chillicothe, Ohio 45601**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Union Scioto Local School District
Chillicothe, Ohio

We have reviewed the Independent Auditor's Report of the Union Scioto Local School District, Ross County, prepared by J.L. Uhrig & Associates, for the audit period July 1, 1999 to June 30, 2000. 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.

JIM PETRO
Auditor of State

February 5, 2001

Union Scioto Local School District
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For the Fiscal Year Ended June 30, 2000

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Union Scioto Local School District (the District) as of and for the year ended June 30, 2000. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2000, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 13, 2001 on our consideration of the District's internal control over structure and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

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

J. L. Uhrig & Associates

J. L. UHRIG & ASSOCIATES
Certified Public Accountant

January 13, 2001

Union Scioto Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,277,297	\$239,428	\$376,956	\$4,891,861
Cash and Cash Equivalents With Fiscal Agents	0	0	0	0
Receivables:				
Property Taxes	1,888,034	44,771	503,226	0
Income Taxes	264,215	0	0	0
Accounts	8,094	7,804	0	0
Intergovernmental	0	31,110	0	0
Interfund Receivable	7,874	0	0	0
Prepaid Items	9,781	0	0	0
Materials and Supplies Inventory	0	1,237	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	188,863	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
 Total Assets and Other Debits	 \$3,644,158	 \$324,350	 \$880,182	 \$4,891,861

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
		\$0	\$0	\$6,844,158
		\$58,616	\$0	\$0
Internal Service	Trust and Agency			
		\$0	\$0	\$6,844,158
52,129	0	0	0	52,129
0	0	0	0	2,436,031
0	0	0	0	264,215
0	0	0	0	15,898
523,746	0	0	0	554,856
0	0	0	0	7,874
0	0	0	0	9,781
0	0	0	0	1,237
0	0	0	0	188,863
0	0	11,948,938	0	11,948,938
0	0	0	437,219	437,219
0	0	0	2,442,347	2,442,347
<u>\$575,875</u>	<u>\$58,616</u>	<u>\$11,948,938</u>	<u>\$2,879,566</u>	<u>\$25,203,546</u>

(continued)

Union Scioto Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities,</i>				
<i><u>Fund Equity and Other Credits:</u></i>				
<i><u>Liabilities:</u></i>				
Accounts Payable	\$39,049	\$5,690	\$0	\$6,609
Contracts Payable	4,247	0	0	0
Accrued Wages and Benefits	845,172	33,598	0	0
Compensated Absences Payable	11,978	0	0	0
Intergovernmental Payable	168,989	3,066	0	0
Interfund Payable	0	7,874	0	0
Deferred Revenue	1,673,126	39,409	442,963	0
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Notes Payable	0	0	0	4,226,000
Capital Leases Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	2,742,561	89,637	442,963	4,232,609
<i><u>Fund Equity and Other Credits:</u></i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	146,235	2,177	0	114,760
Reserved for Inventory	0	1,237	0	0
Reserved for Property Taxes	214,908	5,362	60,263	0
Reserved for Budget Stabilization	188,863	0	0	0
Unreserved:				
Undesignated	351,591	225,937	376,956	544,492
Total Fund Equity and Other Credits	901,597	234,713	437,219	659,252
Total Liabilities, Fund Equity and Other Credits	\$3,644,158	\$324,350	\$880,182	\$4,891,861

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
		\$0	\$0	\$51,348
		0	0	4,247
		0	0	878,770
		0	1,436,751	1,448,729
		0	91,864	263,919
		0	0	7,874
		0	0	2,155,498
	56,749	0	0	56,749
208,935	0	0	0	208,935
0	0	0	0	4,226,000
0	0	0	95,951	95,951
0	0	0	280,000	280,000
0	0	0	975,000	975,000
<u>208,935</u>	<u>56,749</u>	<u>0</u>	<u>2,879,566</u>	<u>10,653,020</u>
0	0	11,948,938	0	11,948,938
366,940	0	0	0	366,940
0	0	0	0	263,172
0	0	0	0	1,237
0	0	0	0	280,533
0	0	0	0	188,863
<u>0</u>	<u>1,867</u>	<u>0</u>	<u>0</u>	<u>1,500,843</u>
<u>366,940</u>	<u>1,867</u>	<u>11,948,938</u>	<u>0</u>	<u>14,550,526</u>
<u>\$575,875</u>	<u>\$58,616</u>	<u>\$11,948,938</u>	<u>\$2,879,566</u>	<u>\$25,203,546</u>

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Union Scioto Local School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
<i>Revenues:</i>						
Property Taxes	\$1,973,259	\$29,468	\$491,230	\$0	\$0	\$2,493,957
Income Taxes	720,515	0	0	0	0	720,515
Intergovernmental	6,259,761	817,116	43,882	797,639	0	7,918,398
Interest	145,887	0	0	85,514	127	231,528
Tuition and Fees	90,082	0	0	0	0	90,082
Rent	103	0	0	0	0	103
Extracurricular Activities	0	186,289	0	0	0	186,289
Gifts and Donations	100	57,749	0	0	1,000	58,849
Customer Services	0	299,817	0	0	0	299,817
Miscellaneous	37,294	8,658	0	0	0	45,952
Total Revenues	9,227,001	1,399,097	535,112	883,153	1,127	12,045,490
<i>Expenditures:</i>						
Current:						
Instruction:						
Regular	5,219,491	134,969	0	54,690	0	5,409,150
Special	436,222	411,440	0	0	0	847,662
Vocational	56	0	0	0	0	56
Support Services:						
Pupils	248,848	0	0	0	1,000	249,848
Instructional Staff	312,302	43,657	0	1,839	0	357,798
Board of Education	152,045	1,851	0	0	0	153,896
Administration	805,782	98,141	0	0	0	903,923
Fiscal	285,319	7,854	8,654	0	0	301,827
Operation and Maintenance of Plant	891,997	0	0	0	0	891,997
Pupil Transportation	566,133	0	0	0	0	566,133
Operation of Non-Instructional Services	15,643	435,840	0	0	0	451,483
Extracurricular Activities	136,173	118,110	0	0	0	254,283
Capital Outlay	268,755	818	0	203,793	0	473,366
Debt Service:						
Principal Retirement	13,748	0	195,000	0	0	208,748
Interest and Fiscal Charges	9,184	0	83,165	0	0	92,349
Total Expenditures	9,361,698	1,252,680	286,819	260,322	1,000	11,162,519
Excess of Revenues Over (Under) Expenditures	(134,697)	146,417	248,293	622,831	127	882,971
<i>Other Financing Sources (Uses):</i>						
Inception of Capital Leases	109,699	0	0	0	0	109,699
Operating Transfers In	0	26,489	0	0	0	26,489
Operating Transfers Out	(239,287)	0	0	0	0	(239,287)
Total Other Financing Sources (Uses)	(129,588)	26,489	0	0	0	(103,099)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(264,285)	172,906	248,293	622,831	127	779,872
Fund Balances at Beginning of Year	1,165,882	61,747	188,926	36,421	1,740	1,454,716
Increase in Reserve for Inventory	0	60	0	0	0	60
Fund Balances at End of Year	\$901,597	\$234,713	\$437,219	\$659,252	\$1,867	\$2,234,648

See accompanying notes to the general purpose financial statements

Union Scioto Local School District
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$1,894,442	\$1,894,442	\$0	\$24,106	\$24,106	\$0
Income Taxes	706,184	706,184	0	0	0	0
Intergovernmental	6,259,761	6,259,761	0	786,006	786,006	0
Interest	161,872	161,872	0	0	0	0
Tuition and Fees	90,311	90,311	0	0	0	0
Rent	103	103	0	0	0	0
Extracurricular Activities	0	0	0	191,039	191,039	0
Gifts and Donations	100	100	0	55,649	55,649	0
Customer Services	0	0	0	299,817	299,817	0
Miscellaneous	30,175	30,175	0	2,954	2,954	0
Total Revenues	9,142,948	9,142,948	0	1,359,571	1,359,571	0
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	5,142,041	5,142,041	0	130,248	130,248	0
Special	438,694	438,694	0	459,843	459,843	0
Vocational	18,020	18,020	0	0	0	0
Support Services:						
Pupils	266,046	266,046	0	0	0	0
Instructional Staff	290,259	290,259	0	45,451	45,451	0
Board of Education	155,158	155,158	0	1,851	1,851	0
Administration	780,980	780,980	0	98,652	98,652	0
Fiscal	279,590	279,590	0	7,854	7,854	0
Operation and Maintenance of Plant	936,982	936,982	0	0	0	0
Pupil Transportation	556,202	556,202	0	0	0	0
Operation of Non-Instructional Services	0	0	0	437,971	437,971	0
Extracurricular Activities	134,294	134,294	0	121,732	121,732	0
Capital Outlay	273,056	273,056	0	818	818	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,271,322	9,271,322	0	1,304,420	1,304,420	0
Excess of Revenues Over (Under) Expenditures	(128,374)	(128,374)	0	55,151	55,151	0
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Long-Term Notes	0	0	0	0	0	0
Refund of Prior Year Expenditures	16,528	16,528	0	0	0	0
Operating Transfers In	0	0	0	26,489	26,489	0
Operating Transfers Out	(254,930)	(254,930)	0	0	0	0
Advances In	0	0	0	3,277	3,277	0
Advances Out	(3,277)	(3,277)	0	0	0	0
Total Other Financing Sources (Uses)	(241,679)	(241,679)	0	29,766	29,766	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(370,053)	(370,053)	0	84,917	84,917	0
Fund Balances at Beginning of Year	1,594,233	1,594,233	0	143,199	143,199	0
Prior Year Encumbrances Appropriated	72,117	72,117	0	5,355	5,355	0
Fund Balances at End of Year	\$1,296,297	\$1,296,297	\$0	\$233,471	\$233,471	\$0

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$446,470	\$446,470	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
43,882	43,882	0	797,639	797,639	0	0	0	0
0	0	0	85,514	85,514	0	164	164	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	1,000	1,000	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
490,352	490,352	0	883,153	883,153	0	1,164	1,164	0
0	0	0	55,255	55,255	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	1,000	1,000	0
0	0	0	1,839	1,839	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
8,654	8,654	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	357,396	357,396	0	0	0	0
195,000	195,000	0	0	0	0	0	0	0
83,165	83,165	0	0	0	0	0	0	0
286,819	286,819	0	414,490	414,490	0	1,000	1,000	0
203,533	203,533	0	468,663	468,663	0	164	164	0
0	0	0	4,226,000	4,226,000	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	4,226,000	4,226,000	0	0	0	0
203,533	203,533	0	4,694,663	4,694,663	0	164	164	0
173,423	173,423	0	81,748	81,748	0	4,341	4,341	0
0	0	0	690	690	0	0	0	0
\$376,956	\$376,956	\$0	\$4,777,101	\$4,777,101	\$0	\$4,505	\$4,505	\$0

Union Scioto Local School District
Statement of Revenues, Expenses and
Changes in Retained Earnings
Internal Service Fund
For the Fiscal Year Ended June 30, 2000

	<u>Self Insurance</u>
<u>Operating Revenues:</u>	
Charges for Services	<u>\$892,273</u>
<u>Operating Expenses:</u>	
Purchased Services	303,052
Claims	<u>560,736</u>
Total Operating Expenses	<u>863,788</u>
Operating Income	28,485
<u>Non-Operating Revenues:</u>	
Interest Income	<u>573</u>
Income Before Operating Transfers	29,058
Operating Transfers In	<u>212,798</u>
Net Income	241,856
Retained Earnings at Beginning of Year - Restated (Note 3)	<u>125,084</u>
Retained Earnings at End of Year	<u><u>\$366,940</u></u>

See accompanying notes to the general purpose financial statements

Union Scioto Local School District
 Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 Internal Service Fund
 For the Fiscal Year Ended June 30, 2000

	Self-Insurance Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$79,317	\$79,317	\$0
<u>Expenses:</u>			
Purchased Services	293,281	293,281	0
Excess of Revenues Over (Under) Expenses	(213,964)	(213,964)	0
Operating Transfers In	212,798	212,798	0
Excess of Revenues Over (Under) Expenses and Transfers	(1,166)	(1,166)	0
Fund Equity at Beginning of Year	1,166	1,166	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Equity at End of Year	\$0	\$0	\$0

See accompanying notes to the general purpose financial statements

Union Scioto Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2000

	<u>Self-Insurance</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Quasi-External Transactions with Other Funds	\$1,225,889
Cash Payments to Suppliers for Goods and Services	(303,052)
Cash Payments for Claims	<u>(620,018)</u>
Net Cash from Operating Activities	302,819
<u>Cash Flows from Noncapital Financing Activities:</u>	
Short-Term Loans to Other Governments	(523,746)
Operating Transfers In	<u>212,798</u>
Net Cash from Noncapital Financing Activities	(310,948)
<u>Cash Flows from Investing Activities:</u>	
Interest Received	<u>573</u>
Net Decrease in Cash and Cash Equivalents	(7,556)
Cash and Cash Equivalents at Beginning of Year	<u>59,685</u>
Cash and Cash Equivalents at End of Year	<u><u>\$52,129</u></u>
<u>Reconciliation of Operating Income to Net Cash from Operating Activities:</u>	
Operating Income	\$28,485
<u>Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:</u>	
<u>Changes in Assets and Liabilities:</u>	
Decrease in Intergovernmental Receivables	333,616
Decrease in Claims Payable	<u>(59,282)</u>
Net Cash from Operating Activities	<u><u>\$302,819</u></u>

See accompanying notes to the general purpose financial statements

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1935 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 80 square miles. It is located in Ross County, and includes all of Union and Scioto Townships. It is staffed by 71 non-certificated employees, 107 certificated full-time teaching personnel and 4 administrative employees who provide services to 1,875 students and other community members. The School District currently operates four instructional buildings, one administrative building, one maintenance building, and one garage.

Reporting Entity:

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

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

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

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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

The School District is associated with six organizations, four of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a claims servicing pool. The South Central Ohio Computer Association, Pickaway-Ross County Joint Vocational School, Coalition of Rural and Appalachian Schools, and Great Seal Education Network of Tomorrow are defined as jointly governed organizations. The Ohio School Boards Association Workers' Compensation Group Rating Plan is defined as an insurance purchasing pool. The Ross County School Employees Insurance Consortium is defined as a claims servicing pool. These organizations are presented in Notes 19 and 20 to the general purpose 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 accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are the School District's governmental fund types:

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

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

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

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

Proprietary Fund Type:

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

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

Fiduciary Fund Types:

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

Account Groups:

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

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

B. Measurement Focus and Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer-assessed income taxes, grants, tuition, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Self-Insurance Internal Service Fund has only the dental insurance portion of the fund budgeted and shown as part of the School District's cash activity; the medical insurance activity is handled by a fiscal agent and is budgeted within the funds paying medical premiums. The primary level of budgetary control is at the fund level. Any budgetary modification at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer. Because the activity of agency funds is not budgeted, transfers-in and transfers-out do not equal on a budgetary basis due to three transfers totaling \$15,643 made to agency funds from the General Fund.

Tax Budget:

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

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000. Before year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Appropriations:

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

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

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. The balance of the School District's funds held by the fiscal agent at June 30, 2000 is presented as "Cash and Cash Equivalents with Fiscal Agents" on the balance sheet.

During fiscal year 2000, the School District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

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 2000 amounted to \$145,887, which includes \$70,310 assigned from other School District funds. The capital projects, expendable trust fund, and the internal service fund received interest revenue of \$85,514, \$127 and \$573, respectively.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

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

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

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- Ohio Reads Grant
- Family and School Partnership Grant
- Safe School Helpline Grant
- Early Childhood Grant
- Professional Development Block Grant
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Technology Equity
- Title I
- Title VI
- Title VI-B
- Title VI-R

Capital Projects Fund

- School Net Plus
- Classroom Facilities

Reimbursable Grants

Special Revenue Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in the governmental funds amounted to 66 percent of governmental fund revenue during the 2000 fiscal year.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

J. Accrued Liabilities and Long-Term Obligations

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

Long-term obligations financed by the proprietary fund are reported as fund liabilities.

K. Interfund Transactions

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

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

L. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 22 for additional information regarding set-asides.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

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

NOTE 3 - PRIOR PERIOD RESTATEMENT

For fiscal year 2000, the prior year ending balance for the Self-Insurance Internal Service Fund was found to be misstated. This adjustment resulted in the following restatement of the beginning Retained Earnings:

	<u>Amount at 6/30/99</u>	<u>Restated Amount</u>
Internal Service Fund	\$105,612	\$125,084

NOTE 4 - ACCOUNTABILITY

At June 30, 2000, the Disadvantaged Pupil Impact Aid and the Early Childhood Grant Special Revenue Funds had deficit fund balances of \$204 and \$2,503, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. The School District does not budget for the activities of the fiscal agent who collects and holds assets for the payment of medical claims. However, the activities of the fiscal agent are included in the internal service fund for GAAP reporting purposes.
6. Proceeds from bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP Basis).

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$264,285)	\$172,906	\$248,293	\$622,831	\$127
Adjustments:					
Revenue Accruals	(177,223)	(39,526)	(44,760)	0	37
Expenditure Accruals	270,021	(45,780)	0	(39,408)	0
Advances	(3,277)	3,277	0	0	0
Transfers	(15,643)	0	0	0	0
Prepays	(9,781)	0	0	0	0
Proceeds from Sale of Notes	0	0	0	4,226,000	0
Encumbrances	(169,865)	(5,960)	0	(114,760)	0
Budget Basis	<u>(\$370,053)</u>	<u>\$84,917</u>	<u>\$203,533</u>	<u>\$4,694,663</u>	<u>\$164</u>

Net Income/Excess of Revenues
Under Expenses and Transfers
Internal Service Fund

	Self-Insurance Fund
GAAP Basis	\$241,856
Adjustments:	
Expense Accruals	(59,282)
Non-Budgeted Activity	(183,740)
Budget Basis	<u>(\$1,166)</u>

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.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

Deposits: At year end, the carrying amount of the School District's deposits was (\$165,501) and the bank balance was \$3,466, which was fully covered by federal depository insurance.

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

	Category 3	Unclassified	Carrying/Fair Value
STAR Ohio	\$0	\$4,871,466	\$4,871,466
Repurchase Agreement	2,376,685	0	2,376,685
	\$2,376,685	\$4,871,466	\$7,248,151

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$7,085,150	\$0
Investments:		
Cash on Hand	(2,500)	0
STAR Ohio	(4,871,466)	4,871,466
Repurchase Agreement	(2,376,685)	2,376,685
GASB Statement No. 3	(\$165,501)	\$7,248,151

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) are for calendar 2000 taxes.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 7 - PROPERTY TAXES (continued)

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$86,474,550	90.96%	\$91,889,830	91.49%
Public Utility	6,652,580	7.00%	6,640,470	6.61%
Tangible Personal Property	1,940,900	2.04%	1,910,650	1.90%
Total Assessed Value	<u>\$95,068,030</u>	<u>100.00%</u>	<u>\$100,440,950</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.10		\$37.92	

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, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 7 - PROPERTY TAXES (continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$214,908 in the General Fund, \$5,362 in the Classroom Maintenance Special Revenue Fund, and \$60,263 in the Debt Service Fund.

NOTE 8 - INCOME TAX

The School District levies a voted tax of ½ percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, 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, 2000, consisted of property and income taxes, accounts (tuition, charges for services, and student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Special Revenue Funds:	
Ohio Reads Grant	\$30,000
Early Childhood Grant	1,110
	31,110
Total Special Revenue Funds	31,110
Internal Service Fund:	
Short-Term Loan to Other Governments	523,746
	523,746
Total Intergovernmental Receivable	\$554,856

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 10 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2000 follows:

<u>Asset Category</u>	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/00</u>
Land and Improvements	\$298,848	\$154,106	\$0	\$452,954
Buildings and Improvements	6,403,164	326,806	0	6,729,970
Furniture, Fixtures and Equipment	2,283,733	501,351	0	2,785,084
Vehicles	1,485,813	0	8,931	1,476,882
Textbooks	510,549	0	6,501	504,048
Construction in Progress	356,512	0	356,512	0
Totals	<u>\$11,338,619</u>	<u>\$982,263</u>	<u>\$371,944</u>	<u>\$11,948,938</u>

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 2000, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$15,980,300
Inland Marine Coverage (\$100 deductible)	10,800
Boiler and Machinery (\$1000 deductible)	11,205,200
Crime Insurance	5,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	500,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 11 - RISK MANAGEMENT (continued)

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). 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.

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 eighteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$208,935 reported in the internal service fund at June 30, 2000 is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 10 "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>
1999	\$66,364	\$609,994	\$408,141	\$268,217
2000	268,217	560,736	620,018	208,935

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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 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 2000, 5.5 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, 2000, 1999, and 1998 were \$212,372, \$299,311, and \$142,230, respectively; 47.29 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$111,936 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$593,434, \$524,649, and \$487,247, respectively; 83.46 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$98,142 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$339,105 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 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, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$122,003.

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, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Life and Accident Insurance

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

C. Deferred Compensation

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

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In fiscal year 2000, the School District has entered into capitalized leases for furniture, fixtures and equipment. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of furniture, fixtures and equipment have been capitalized in the general fixed assets account group in the amount of \$109,699. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2000 totaled \$13,748 in the governmental funds

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

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, 2000.

Fiscal Year Ending June 30,	GLTDAG
2001	\$28,675
2002	28,675
2003	28,675
2004	28,675
2005	5,746
Total	120,446
Less: Amount Representing Interest	(24,495)
Present Value of Net Minimum Lease Payments	\$95,951

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000, were as follows:

	Principal			Principal
	Outstanding			Outstanding
	6/30/99	Additions	Deductions	6/30/00
Capital Leases	\$0	\$109,699	\$13,748	\$95,951
Permanent Improvement				
Bond 1995 5.75%	1,125,000	0	150,000	975,000
Energy Conservation				
Loan 1995 5.72%	325,000	0	45,000	280,000
Intergovernmental Payable	91,974	91,864	91,974	91,864
Compensated Absences	1,441,169	1,436,751	1,441,169	1,436,751
Total General Long-Term Obligations	\$2,983,143	\$1,638,314	\$1,741,891	\$2,879,566

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

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

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

The School District's overall legal debt margin was \$8,501,905, the energy conservation legal debt margin was \$623,969 and the unvoted debt margin was \$100,441 at June 30, 2000.

Principal and interest requirements to retire general obligation debt, including loans outstanding at June 30, 2000, are as follows:

Fiscal Year	Principal	Interest	Total
<u>Ending June 30,</u>	<u> </u>	<u> </u>	<u> </u>
2001	\$215,000	\$71,128	\$286,128
2002	235,000	57,789	292,789
2003	255,000	42,959	297,959
2004	270,000	27,128	297,128
2005	280,000	10,300	290,300
Totals	<u>\$1,255,000</u>	<u>\$209,304</u>	<u>\$1,464,304</u>

NOTE 17 - SHORT-TERM OBLIGATIONS

As of June 30, 2000, the School District had outstanding short-term obligations in the amount of \$4,226,000 in anticipation of the issuance of long-term bonds. The 4.9% notes will be retired on December 8, 2000.

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 18 - INTERFUND ACTIVITY

As of June 30, 2000, receivables and payables, which resulted from cash deficits, were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$7,874	\$0
Special Revenue Funds:		
Food Service	0	4,597
Early Childhood Grant		3,277
Total All Funds	\$7,874	\$7,874

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating counties, two school Treasurers and a representative of the fiscal agent. The School District paid SCOCA \$7,660 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, which serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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

Great Seal Education Network of Tomorrow - The School District is a member of the Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601. The Great Seal Education Network of Tomorrow did not receive any funding from the School District during fiscal year 2000.

NOTE 20 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 20 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS (continued)

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

NOTE 21 - SCHOOL FUNDING COURT DECISION

On March 24, 1998, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's school foundation program, which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$6,110,849 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

Union Scioto Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 22 - 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 or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 1999	\$0	\$0	\$102,388
Current year set-aside requirement	259,424	259,424	86,475
Current year offsets	0	0	0
Qualifying disbursements	(259,424)	(259,424)	0
Set-aside Reserve Balance as of June 30, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$188,863</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had qualifying disbursements and offsets during the fiscal year that would reduce the capital improvements set aside amounts below zero, and these extra amounts may be used to reduce the set-aside requirements of future years, the School District has decided not to carry over such negative balances to the next year. The total reserve balance for the set-asides at the end of the fiscal year was \$188,863.

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, 2000.

B. Litigation

The School District is not currently party to any legal proceedings.

Union Scioto Local School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2000

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:				
National School Lunch Program	04-PU 2000	10.555	\$103,461	\$103,461
Special Milk Program	02-PU 1999	10.556	100	100
Total U.S. Department of Agriculture			103,561	103,561
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 2000	84.010	280,782	269,086
Title I Grants to Local Educational Agencies	C1-SD 2000	84.010	25,455	25,455
Title I Grants to Local Educational Agencies	C1-S1 1999	84.010	21,987	49,648
			328,224	344,189
Special Education - Grants to States (IDEA Part B)	6B-SF 1999 P	84.027	73,568	58,823
Special Education - Grants to States (IDEA Part B)	6B-SF 1998 P	84.027	46,945	46,945
			120,513	105,768
Goals 2000: Improvement Grants	G2-S8 2000	84.276	5,974	3,929
Innovative Educational Program Strategies	C2-S1 1999	84.298	1,136	3,034
Innovative Educational Program Strategies	C2-S1 2000	84.298	9,213	7,171
			10,349	10,205
Class Size Reduction	CR-S1 2000	84.340	36,619	27,297
Child Care and Development Block Grant	DC-S1 2000	93.575	501	3,778
Total U.S. Department of Education			502,180	495,166
Total Federal Financial Assistance			\$605,741	\$598,727

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2000, the District received \$4,985 and used \$5,278 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, 2000 the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

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

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

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

We have audited the financial statements of the Union Scioto Local School District (the District), as of and for the year ended June 30, 2000, and have issued our report thereon dated January 13, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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 January 13, 2001.

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

J. L. Uhrig & Associates

J. L. UHRIG & ASSOCIATES
Certified Public Accountant

January 13, 2001

**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
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 program for the year ended June 30, 2000. The District's major federal program is 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 program 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 generally accepted auditing standards; 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 program for the year ended June 30, 2000.

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.

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

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

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

J. L. Uhrig & Associates

J. L. UHRIG & ASSOCIATES
Certified Public Accountant

January 13, 2001

Union Scioto Local School District
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2000

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):	Title I Grants to Local Educational Agencies CFDA #84.010
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.

Union Scioto Local School District
Status of Prior Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2000

Finding Number	Description of Finding or Recommendation	Status	Explanation if Not Fully Implemented
1999-10771-001	Appropriate monitoring controls were not in place over the self-insurance claims payment activity and summary reports received from the third party administrator.	Corrected	N/A



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OFFICE OF THE AUDITOR

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UNION SCIOTO LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 22, 2001**