



**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Zane Trace Local School District  
Ross County  
946 State Route 180  
Chillicothe, Ohio 45601

To: Board of Education

We have audited the accompanying general-purpose financial statements of the Zane Trace Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Zane Trace Local School District, Ross County, Ohio as of June 30, 2001, and the results of its operations and the cash flows of its Internal Service Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 23, the District changed its method of accounting for health insurance activity reported in the Internal Service Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**JIM PETRO**  
Auditor of State

November 20, 2001

**ZANE TRACE LOCAL SCHOOL DISTRICT, OHIO**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001

	<u>GOVERNMENTAL FUND TYPES</u>				<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUPS</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<b><u>Assets and Other Debits:</u></b>									
<b><u>Assets:</u></b>									
Equity in Pooled Cash and Cash Equivalents	\$3,995,213	\$556,283	\$536,834	\$475,402	\$6,705	\$12,920	\$0	\$0	\$5,583,357
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	0	79,562	29,065	0	0	0	108,627
Receivables:									
Taxes	3,125,845	64,037	525,108	0	0	0	0	0	3,714,990
Accounts	113,645	1,103	0	0	0	0	0	0	114,748
Intergovernmental	0	45,653	0	92,389	160,205	0	0	0	298,247
Accrued Interest	7,195	0	0	0	0	0	0	0	7,195
Interfund	98,995	0	0	0	0	0	0	0	98,995
Materials and Supplies Inventory	8,415	2,210	0	0	0	0	0	0	10,625
Prepaid Items	3,254	1,590	0	0	0	0	0	0	4,844
Restricted Assets:									
Equity in Pooled Cash and Cash Equivalents	368,362	0	0	0	0	0	0	0	368,362
Fixed Assets	0	0	0	0	0	0	19,007,402	0	19,007,402
<b><u>Other Debits:</u></b>									
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0	0	0	0	561,014	561,014
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	5,074,693	5,074,693
<b>Total Assets and Other Debits</b>	<b>\$7,720,924</b>	<b>\$670,876</b>	<b>\$1,061,942</b>	<b>\$647,353</b>	<b>\$195,975</b>	<b>\$12,920</b>	<b>\$19,007,402</b>	<b>\$5,635,707</b>	<b>\$34,953,099</b>

(continued)

**ZANE TRACE LOCAL SCHOOL DISTRICT, OHIO**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001  
 (continued)

	<u>GOVERNMENTAL FUND TYPES</u>				<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUPS</u>		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
<b><u>Liabilities,</u></b>									
<b><u>Fund Equity and Other Credits:</u></b>									
<b><u>Liabilities:</u></b>									
Accounts Payable	\$25,502	\$9,648	\$0	\$0	\$0	\$0	\$0	\$0	\$35,150
Accrued Wages and Benefits	525,212	51,066	0	0	0	0	0	0	576,278
Compensated Absences Payable	42,270	0	0	0	0	0	0	626,815	669,085
Retainage Payable	0	0	0	79,562	0	0	0	0	79,562
Interfund Payable	0	0	0	98,995	0	0	0	0	98,995
Intergovernmental Payable	162,907	11,136	0	0	0	0	0	80,744	254,787
Deferred Revenue	2,994,083	106,741	500,928	82,980	0	0	0	0	3,684,732
Undistributed Monies	0	0	0	0	0	12,920	0	0	12,920
Claims Payable	0	0	0	0	248,267	0	0	0	248,267
Capital Leases Payable	0	0	0	0	0	0	0	98,148	98,148
General Obligation Bonds Payable	0	0	0	0	0	0	0	4,830,000	4,830,000
<b>Total Liabilities</b>	<b>3,749,974</b>	<b>178,591</b>	<b>500,928</b>	<b>261,537</b>	<b>248,267</b>	<b>12,920</b>	<b>0</b>	<b>5,635,707</b>	<b>10,587,924</b>
<b><u>Fund Equity and Other Credits:</u></b>									
Investment in General Fixed Assets	0	0	0	0	0	0	19,007,402	0	19,007,402
Retained Earnings:									
Unreserved (Deficit)	0	0	0	0	(52,292)	0	0	0	(52,292)
Fund Balance:									
Reserved for Encumbrances	479,693	65,874	0	10,386	0	0	0	0	555,953
Reserved for Inventory	8,415	2,210	0	0	0	0	0	0	10,625
Reserved for Property Taxes	131,762	2,949	24,180	0	0	0	0	0	158,891
Reserved for Textbooks and Instructional Materials	128,782	0	0	0	0	0	0	0	128,782
Reserved for Capital Improvements	216,520	0	0	0	0	0	0	0	216,520
Reserved for Budget Stabilization	23,060	0	0	0	0	0	0	0	23,060
Unreserved:									
Undesignated	2,982,718	421,252	536,834	375,430	0	0	0	0	4,316,234
<b>Total Fund Equity and Other Credits</b>	<b>3,970,950</b>	<b>492,285</b>	<b>561,014</b>	<b>385,816</b>	<b>(52,292)</b>	<b>0</b>	<b>19,007,402</b>	<b>0</b>	<b>24,365,175</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$7,720,924</b>	<b>\$670,876</b>	<b>\$1,061,942</b>	<b>\$647,353</b>	<b>\$195,975</b>	<b>\$12,920</b>	<b>\$19,007,402</b>	<b>\$5,635,707</b>	<b>\$34,953,099</b>

See accompanying notes to the general purpose financial statements



**ZANE TRACE LOCAL SCHOOL DISTRICT, OHIO**

Combined Statement of Revenues, Expenditures

and Changes in Fund Balances

All Governmental Fund Types

For the Fiscal Year Ended June 30, 2001

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b><u>Revenues:</u></b>					
Property Taxes	\$3,167,804	\$63,048	\$529,857	\$0	\$3,760,709
Income Tax	469,117	0	0	0	469,117
Intergovernmental	4,163,824	489,737	49,679	1,233,597	5,936,837
Interest	313,935	370	0	14,992	329,297
Tuition and Fees	50,814	296,956	0	0	347,770
Extracurricular Activities	12,259	217,532	0	0	229,791
Gifts and Donations	600	17,615	0	0	18,215
Miscellaneous	44,730	4,511	0	77,892	127,133
<b>Total Revenues</b>	<b>8,223,083</b>	<b>1,089,769</b>	<b>579,536</b>	<b>1,326,481</b>	<b>11,218,869</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	3,337,561	121,603	0	24,138	3,483,302
Special	392,644	211,815	0	0	604,459
Vocational	5,391	0	0	0	5,391
Other	281,380	0	0	0	281,380
Support Services:					
Pupils	231,433	31,077	0	0	262,510
Instructional Staff	185,777	7,944	0	0	193,721
Board of Education	84,976	0	0	1,450	86,426
Administration	556,775	42,074	0	0	598,849
Fiscal	451,551	4,061	7,434	0	463,046
Operation and Maintenance of Plant	683,642	48,915	0	235,579	968,136
Pupil Transportation	502,755	0	0	0	502,755
Central	31,389	5,502	0	80,884	117,775
Operation of Non-Instructional Services	0	382,269	0	0	382,269
Extracurricular Activities	141,397	203,008	0	0	344,405
Capital Outlay	16,634	25,092	0	1,014,232	1,055,958
Debt Service:					
Principal Retirement	24,349	4,231	230,000	0	258,580
Interest and Fiscal Charges	7,416	185	290,822	0	298,423
<b>Total Expenditures</b>	<b>6,935,070</b>	<b>1,087,776</b>	<b>528,256</b>	<b>1,356,283</b>	<b>9,907,385</b>
Excess of Revenues Over (Under) Expenditures	1,288,013	1,993	51,280	(29,802)	1,311,484
<b><u>Other Financing Sources (Uses):</u></b>					
Operating Transfers - In	0	0	0	25,000	25,000
Operating Transfers - Out	0	(25,000)	0	0	(25,000)
Inception of Capital Lease	16,634	25,092	0	0	41,726
<b>Total Other Financing Sources (Uses)</b>	<b>16,634</b>	<b>92</b>	<b>0</b>	<b>25,000</b>	<b>41,726</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,304,647	2,085	51,280	(4,802)	1,353,210
Fund Balances at Beginning of Year	2,686,548	492,512	509,734	390,618	4,079,412
Decrease in Reserve for Inventory	(20,245)	(2,312)	0	0	(22,557)
<b>Fund Balances at End of Year</b>	<b>\$3,970,950</b>	<b>\$492,285</b>	<b>\$561,014</b>	<b>\$385,816</b>	<b>\$5,410,065</b>

See accompanying notes to the general purpose financial statements

**ZANE TRACE LOCAL SCHOOL DISTRICT, OHIO**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2001

	<b>GENERAL FUND</b>			<b>SPECIAL REVENUE FUNDS</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$1,919,957	\$3,249,346	\$1,329,389	\$63,902	\$64,872	\$970
Income Tax	614,263	614,263	0	0	0	0
Intergovernmental	3,485,917	4,163,824	677,907	490,537	489,737	(800)
Interest	312,922	312,922	0	370	370	0
Tuition and Fees	73,137	73,137	0	296,956	296,956	0
Extracurricular Activities	12,259	12,259	0	216,672	216,672	0
Gifts and Donations	0	0	0	17,615	17,615	0
Miscellaneous	44,705	44,705	0	4,394	4,394	0
<b>Total Revenues</b>	<b>6,463,160</b>	<b>8,470,456</b>	<b>2,007,296</b>	<b>1,090,446</b>	<b>1,090,616</b>	<b>170</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	3,519,193	3,509,953	9,240	133,246	131,288	1,958
Special	361,166	358,191	2,975	208,756	206,867	1,889
Vocational	5,397	5,391	6	0	0	0
Other	289,357	289,357	0	0	0	0
Support Services:						
Pupils	247,060	244,108	2,952	31,136	31,136	0
Instructional Staff	242,577	237,720	4,857	8,104	7,587	517
Board of Education	123,711	120,430	3,281	0	0	0
Administration	589,406	584,880	4,526	48,006	45,850	2,156
Fiscal	502,905	498,577	4,328	5,281	4,494	787
Operation and Maintenance of Plant	870,163	863,740	6,423	75,817	75,816	1
Pupil Transportation	556,222	555,918	304	0	0	0
Central	46,927	43,736	3,191	5,502	5,502	0
Operation of Non-Instructional						
Services	0	0	0	395,574	394,094	1,480
Extracurricular Activities	142,895	140,877	2,018	222,079	219,704	2,375
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>7,496,979</b>	<b>7,452,878</b>	<b>44,101</b>	<b>1,133,501</b>	<b>1,122,338</b>	<b>11,163</b>
Excess of Revenues Over (Under) Expenditures	(1,033,819)	1,017,578	2,051,397	(43,055)	(31,722)	11,333
<b><u>Other Financing Sources (Uses):</u></b>						
Operating Transfers - In	0	0	0	0	0	0
Operating Transfers - Out	0	0	0	(25,000)	(25,000)	0
Advances In	0	0	0	0	0	0
Advances Out	(92,896)	(92,896)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(92,896)</b>	<b>(92,896)</b>	<b>0</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,126,715)	924,682	2,051,397	(68,055)	(56,722)	11,333
Fund Balances at Beginning of Year	2,822,468	2,822,468	0	507,390	507,390	0
Prior Year Encumbrances Appropriated	112,096	112,096	0	30,463	30,463	0
<b>Fund Balances at End of Year</b>	<b>\$1,807,849</b>	<b>\$3,859,246</b>	<b>\$2,051,397</b>	<b>\$469,798</b>	<b>\$481,131</b>	<b>\$11,333</b>

See accompanying notes to the general purpose financial statements

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUNDS</i>			<i>TOTALS (MEMORANDUM ONLY)</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$546,723	\$546,723	\$0	\$0	\$0	\$0	\$2,530,582	\$3,860,941	\$1,330,359
0	0	0	0	0	0	614,263	614,263	0
41,510	49,679	8,169	1,202,097	1,202,097	0	5,220,061	5,905,337	685,276
0	0	0	14,992	14,992	0	328,284	328,284	0
0	0	0	0	0	0	370,093	370,093	0
0	0	0	0	0	0	228,931	228,931	0
0	0	0	0	0	0	17,615	17,615	0
0	0	0	77,892	77,892	0	126,991	126,991	0
<u>588,233</u>	<u>596,402</u>	<u>8,169</u>	<u>1,294,981</u>	<u>1,294,981</u>	<u>0</u>	<u>9,436,820</u>	<u>11,452,455</u>	<u>2,015,635</u>
0	0	0	3,000	3,000	0	3,655,439	3,644,241	11,198
0	0	0	0	0	0	569,922	565,058	4,864
0	0	0	0	0	0	5,397	5,391	6
0	0	0	0	0	0	289,357	289,357	0
0	0	0	0	0	0	278,196	275,244	2,952
0	0	0	0	0	0	250,681	245,307	5,374
0	0	0	1,450	1,450	0	125,161	121,880	3,281
0	0	0	0	0	0	637,412	630,730	6,682
7,434	7,434	0	0	0	0	515,620	510,505	5,115
0	0	0	235,579	235,579	0	1,181,559	1,175,135	6,424
0	0	0	0	0	0	556,222	555,918	304
0	0	0	82,883	82,883	0	135,312	132,121	3,191
0	0	0	0	0	0	395,574	394,094	1,480
0	0	0	0	0	0	364,974	360,581	4,393
0	0	0	1,784,732	1,784,731	1	1,784,732	1,784,731	1
230,000	230,000	0	0	0	0	230,000	230,000	0
290,822	290,822	0	0	0	0	290,822	290,822	0
<u>528,256</u>	<u>528,256</u>	<u>0</u>	<u>2,107,644</u>	<u>2,107,643</u>	<u>1</u>	<u>11,266,380</u>	<u>11,211,115</u>	<u>55,265</u>
<u>59,977</u>	<u>68,146</u>	<u>8,169</u>	<u>(812,663)</u>	<u>(812,662)</u>	<u>1</u>	<u>(1,829,560)</u>	<u>241,340</u>	<u>2,070,900</u>
0	0	0	25,000	25,000	0	25,000	25,000	0
0	0	0	0	0	0	(25,000)	(25,000)	0
0	0	0	92,896	92,896	0	92,896	92,896	0
0	0	0	0	0	0	(92,896)	(92,896)	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>117,896</u>	<u>117,896</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
59,977	68,146	8,169	(694,767)	(694,766)	1	(1,829,560)	241,340	2,070,900
468,688	468,688	0	1,161,111	1,161,111	0	4,959,657	4,959,657	0
0	0	0	78,233	78,233	0	220,792	220,792	0
<u>\$528,665</u>	<u>\$536,834</u>	<u>\$8,169</u>	<u>\$544,577</u>	<u>\$544,578</u>	<u>\$1</u>	<u>\$3,350,889</u>	<u>\$5,421,789</u>	<u>\$2,070,900</u>

**ZANE TRACE LOCAL SCHOOL DISTRICT, OHIO**

Statement of Revenues, Expenses

and Changes in Retained Earnings

Internal Service Fund

For the Fiscal Year Ended June 30, 2001

	<u><b>Self-Insurance</b></u>
<b><u>Operating Revenues:</u></b>	
Charges for Services	\$499,101
Other Operating Revenues	<u>159,411</u>
<i>Total Operating Revenues</i>	<u>658,512</u>
<b><u>Operating Expenses:</u></b>	
Purchased Services	64,040
Claims	<u>729,114</u>
<i>Total Operating Expenses</i>	<u>793,154</u>
Net Loss	(134,642)
Retained Earnings at Beginning of Year, Restated	<u>82,350</u>
Retained Earnings (Deficit) at End of Year	<u><u>(\$52,292)</u></u>

See accompanying notes to the general purpose financial statements

**ZANE TRACE LOCAL SCHOOL DISTRICT, OHIO**  
Statement of Revenues, Expenses and Changes in  
Fund Equity - Budget and Actual (Budget Basis)  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2001

	<b>SELF-INSURANCE</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>			
Charges for Services	\$74,487	\$74,487	\$0
<b><u>Expenses:</u></b>			
Fringe Benefits	71,121	71,121	0
Excess of Revenues Over Expenses	3,366	3,366	0
Fund Equity at Beginning of Year	342	342	0
Prior Year Encumbrances Appropriated	938	938	
Fund Equity at End of Year	\$4,646	\$4,646	\$0

See accompanying notes to the general purpose financial statements

**ZANE TRACE LOCAL SCHOOL DISTRICT, OHIO**

Statement of Cash Flows

Internal Service Fund

For the Fiscal Year Ended June 30, 2001

***Increase (Decrease) in Cash and Cash Equivalents:***

**Cash Flows from Operating Activities:**

**Self-Insurance**

Cash Received from Quasi-External Transactions with Other Funds	\$499,101
Cash Received from Other Operating Sources	159,411
Cash Payments to Suppliers for Goods and Services	(64,040)
Cash Payments for Claims	(589,047)

Net Cash Used for Operating Activities 5,425

**Cash Flows from Noncapital Financing Activities:**

Short-Term Loans to Other Governments	(160,205)
Payments Received from Other Governments	182,960

Net Cash Provided by Noncapital  
Financing Activities 22,755

Net Increase in Cash and Cash Equivalents 28,180

Cash and Cash Equivalents at Beginning of Year 7,590

Cash and Cash Equivalents at End of Year \$35,770

**Reconciliation of Net Loss to Net**

**Cash Used for Operating Activities:**

Net Loss (\$134,642)

**Adjustments to Reconcile Net Loss to**

**Net Cash Used for Operating Activities:**

Changes in Assets and Liabilities:  
Increase in Claims Payable 140,067

Net Cash Used for Operating Activities \$5,425

See accompanying notes to the general purpose financial statements

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Zane Trace 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 1965 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 104 square miles. It is located in Ross County, and includes all of the Village of Kingston and portions of Green North, Green South, Springfield, and Colerain Townships. It is staffed by 50 non-certificated employees, 83 certificated full-time teaching personnel and 4 administrative employees who provide services to 1,517 students and other community members. The School District currently operates 3 instructional buildings.

*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 Zane Trace Local School District, this includes general operations, food service, and student related activities of the School District.

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

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

- ▶ Parent Teacher Organization
- ▶ Ross-Pike County Educational Service District
- ▶ Village of Kingston

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

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Zane Trace 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) are accounted for through governmental funds.

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

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

***Special Revenue Funds*** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than 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.



**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting (Continued)**

***Governmental Fund Types: (Continued)***

*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).

***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 only 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 only fiduciary funds are agency 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 fund.

***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 fund.

**B. Measurement Focus and Basis of Accounting**

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

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

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

On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting (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 governmental funds.

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

**C. Budgetary Process**

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

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 not budgeted within the Internal Service Fund. The primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

***Tax Budget:***

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

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

***Estimated Resources:***

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process (Continued)**

***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, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, 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, one supplemental appropriation was legally enacted, which was 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 as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

***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 fund.

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

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash and Cash Equivalents (Continued)**

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. The balance of the School District's funds held by the claims administrator and the fiscal agent at June 30, 2001 is presented as "Cash and Cash Equivalents with Fiscal and Escrow Agents" on the balance sheet.

Retainage held until the completion of major construction projects is held in separate bank accounts. Retainage accounts held at June 30, 2001 are presented as "Cash and Cash Equivalents with Fiscal and Escrow Agents" on the balance sheet.

During fiscal year 2001, investments were limited to Certificates of Deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$313,935, which includes \$89,334 assigned from other School District funds. The special revenue and capital projects funds received interest revenue of \$370 and \$14,992, respectively.

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

**E. Inventory**

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Assets in the general fixed assets account group are not depreciated.

**H. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. 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 vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 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 expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

**I. Accrued Liabilities and Long-Term Obligations**

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

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Interfund Transactions**

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

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

**K. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to be set-aside by the School District for the purchase of textbooks and other instructional materials, for the acquisition or construction of capital assets, and for budget stabilization which consists of Bureau of Workers' Compensation refunds. See Note 19 for additional information regarding set asides.

**L. Fund Balance Reserves and Designation**

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. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. 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, inventories of supplies and materials, property taxes, textbooks and instructional materials, capital improvements, 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.

**M. Estimates**

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

**N. Total Columns on General Purpose Financial Statements**

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

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**3. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2001, the School District has implemented *GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions*, and *GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues*, which changes how the School District reports certain types of revenues. The implementation of these pronouncements resulted in no change to the prior year's ending fund balances/retained earnings.

**4. ACCOUNTABILITY**

At June 30, 2001, the Chapter I Special Revenue Fund, the Emergency Grant Repair Capital Projects Fund, and the Self-Insurance Internal Service Fund had deficit fund balances/retained earnings of \$30,312, \$13,286, and \$52,292, respectively. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

**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 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) as opposed to balance sheet transactions (GAAP).
5. The School District does not budget for the activities of the fiscal agent who collects and holds assets used for the payment of medical claims. However, the activities of the fiscal agent are included in the internal service fund for GAAP reporting purposes.



**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**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**

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$1,304,647	\$2,085	\$51,280	(\$4,802)
Revenue Accruals	247,373	847	16,866	(31,500)
Expenditure Accruals	(30,828)	15,498	0	(740,974)
Encumbrances	(503,614)	(75,152)	0	(10,386)
Advances	(92,896)	0	0	92,896
Budget Basis	<u>\$924,682</u>	<u>(\$56,722)</u>	<u>\$68,146</u>	<u>(\$694,766)</u>

**Net Loss/Excess of Revenues Over Expenses  
Internal Service Fund**

	Self- Insurance
GAAP Basis	(\$134,642)
Expense Accruals	140,067
Excess of Revenues Under Expenses for Nonbudgeted Activity	5,425
Encumbrances	(2,059)
Budget Basis	<u>\$3,366</u>

**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.

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**6. DEPOSITS AND INVESTMENTS (Continued)**

Inactive deposits are public deposits 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 monies deposited with the institution.

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

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

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**6. DEPOSITS AND INVESTMENTS (Continued)**

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.

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

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$6,060,346, and the bank balance was \$6,036,818. Of the bank balance, \$200,000 was covered by federal depository insurance and \$5,836,818 was uninsured, but is collateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The School District's investments are 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 had no investments at June 30, 2001.

**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 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**7. PROPERTY TAXES (Continued)**

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

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

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, 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 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$92,493,030	71.29%	\$100,113,450	70.37%
Public Utility	11,283,760	8.70%	11,385,330	8.00%
Tangible Personal Property	25,957,950	20.01%	30,766,120	21.63%
<b>Total Assessed Value</b>	<b>\$129,734,740</b>	<b>100.00%</b>	<b>\$142,264,900</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$35.10		\$34.70	

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, 2001 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

**ZANE TRACE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**7. PROPERTY TAXES (Continued)**

The amount available as an advance at June 30, 2001, was \$131,762 in the General Fund, \$2,949 in the Classroom Maintenance Special Revenue Fund, and \$24,180 in the Debt Service Fund.

**8. INCOME TAX**

In prior years, the School District levied a voted tax of .50 percent for general operations on the income of residents and of estates. The tax was effective January 1, 1996, and continued for five years. The levy was not renewed at the end of the fifth year. Taxes receivable for fiscal year 2001 consists of remaining taxes that were owed and delinquent taxes. Income tax revenue is credited to the General Fund.

**9. RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, interfund amounts, accrued interest, accounts, and intergovernmental grants. The Self-Insurance Internal Service Fund intergovernmental receivables consists of claims payments made on behalf of other members of the Ross County Insurance Consortium using surplus monies of the School District. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, and the stable condition of state programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of the intergovernmental receivables follows:

	Amounts
Special Revenue Funds:	
Performance Incentive Grant	\$20,019
Dwight D. Eisenhower	578
Title VI	5,633
Drug Free Schools	4,030
Title VI-B	15,393
Total Special Revenue Funds	45,653
Capital Project Funds:	
American Disability Act Grant	82,980
Interactive Video Distance Learning	9,409
Total Capital Projects Funds	92,389
Internal Service Fund	
Short-Term Loans to Other Governments	160,205
Total Intergovernmental Receivables	\$298,247

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**10. FIXED ASSETS**

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

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$132,047	\$112,521	\$0	\$244,568
Buildings and Improvements	2,205,787	13,473,348	0	15,679,135
Furniture, Fixtures and Equipment	1,075,843	327,164	38,366	1,364,641
Vehicles	1,824,000	16,634	121,576	1,719,058
Construction In Progress	10,450,425	0	10,450,425	0
<b>Total General Fixed Assets</b>	<b>\$15,688,102</b>	<b>\$13,929,667</b>	<b>\$10,610,367</b>	<b>\$19,007,402</b>

**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 2001, the School District contracted with Nationwide Insurance for general liability and fleet insurance, Indiana Insurance for property insurance, Sharrer Weddleton Insurance for boiler and machinery coverage, and Gellner Insurance for builder's risk coverage. Insurance coverages are as follows:

Property	Deductible	Limits of Coverage
Building and Contents	\$1,000	\$9,677,826
Boiler and Machinery	1,000	No Limit
Automobile Liability	100	2,000,000
Builder's Risk	0	11,836,331
General Liability:		
Per Occurrence	0	1,000,000
Total Per Year	0	1,000,000

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.

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**11. RISK MANAGEMENT (Continued)**

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. 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 fourteen 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 \$248,267 reported in the internal service fund at June 30, 2001 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 fiscal year are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2000	\$116,067	\$387,037	\$394,904	\$108,200
2001	108,200	729,114	589,047	248,267

**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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

**ZANE TRACE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

**A. School Employees Retirement System (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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$32,769, \$57,566, and \$65,519, respectively; 19.72 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$26,309 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$312,832, \$196,589, and \$157,224, respectively; 79.98 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$62,629 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

**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.



**ZANE TRACE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$148,183 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$383,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$98,742.

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

**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. There is no limit of sick leave accumulation for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days for all employees.

**ZANE TRACE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**14. EMPLOYEE BENEFITS (Continued)**

**B. Life Insurance**

The School District provides life 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 with 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.

**15. CAPITAL LEASES - LESSEE DISCLOSURE**

In fiscal year 2001, and in prior years, the School District has entered into capitalized leases for furniture, fixtures and equipment, and for vehicles. 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, and vehicles have been capitalized in the general fixed assets account group in the amounts of \$116,147, and \$16,634, respectively. These amounts represent 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 2001 totaled \$28,580 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	GLTDAG
2002	\$31,994
2003	32,331
2004	29,200
2005	16,406
2006	4,969
Total	114,900
Less: Amount Representing Interest	(16,752)
Present Value of Net Minimum Lease Payments	\$98,148

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**16. LONG-TERM OBLIGATIONS**

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

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
<u>General Obligation Bonds:</u>				
1983 School Improvement Bonds, 9.375%	\$400,000	\$0	\$100,000	\$300,000
1997 School Improvement Bonds, 3.60%-5.45%	4,660,000	0	130,000	4,530,000
<u>Other Long-Term Obligations:</u>				
Capital Leases	85,002	41,726	28,580	98,148
Pension Obligation	96,948	80,744	96,948	80,744
Compensated Absences	380,710	246,105	0	626,815
Total General Long-Term Obligations	<u>\$5,622,660</u>	<u>\$368,575</u>	<u>\$355,528</u>	<u>\$5,635,707</u>

*1983 School Improvement Bonds* - In 1983, the School District issued \$2,000,000 in voted general obligation bonds for the purpose of an addition and improvement to the middle school building. The bonds were issued for a twenty year period with final maturity at December 1, 2003. The bonds will be retired from the debt service fund.

*1997 School Improvement Bonds* - In 1997, the School District issued \$4,990,000 in voted general obligation bonds for the construction of a new high school. The bonds were issued for a twenty-three year period with final maturity in December 2020. The bonds will be retired from the debt service fund.

Capital leases will be paid from the General and Special Revenue Fund Types. 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 \$8,534,855 with an unvoted debt margin of \$142,265 at June 30, 2001.

**ZANE TRACE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**16. LONG-TERM OBLIGATIONS (Continued)**

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

Fiscal year Ending June 30,	Principal	Interest	Total
2002	240,000	271,020	511,020
2003	245,000	255,445	500,445
2004	250,000	239,505	489,505
2005	160,000	227,762	387,762
2006	165,000	220,205	385,205
2007-2011	1,005,000	927,311	1,932,311
2012-2016	1,385,000	573,477	1,958,477
2017-2020	1,380,000	154,235	1,534,235
Total	<u>\$4,830,000</u>	<u>\$2,868,960</u>	<u>\$7,698,960</u>

**17. JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross Vinton, Jackson, 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 eight participating member counties, two school treasurers, plus one representative from the fiscal agent. The School District paid SCOCA \$6,028 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*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, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross County Joint Vocational School, Ben Van Horn who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

**ZANE TRACE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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

**18. CLAIMS SERVICING AND INSURANCE PURCHASING POOLS**

*Ross County School Employees Insurance Consortium* - The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of sixteen school districts within Ross County and its surrounding area. Medical/surgical and dental insurance is administered through a third party administrator, Professional Risk Management Co. The Consortium's business and affairs are managed by a Council consisting of one representative 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, Scott Glandon who serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164.

*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.

**19. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition 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.

For fiscal year ended June 30, 2001, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes. This amount is shown as Reserved for Budget Stabilization on the balance sheet in the amount of \$23,060.

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

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**19. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)**

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2000	\$9,978	\$0
Current year set-aside requirement	245,103	245,103
Current year offsets	0	0
Qualifying disbursements	(126,299)	(28,583)
Set-aside Reserve Balance as of June 30, 2001	<u>\$128,782</u>	<u>\$216,520</u>

The total reserve balance for the set asides and budget stabilization at the end of the fiscal year was \$368,362.

**20. INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2001, consist of the following individual interfund receivables and payables:

	Receivable	Payable
General Fund	\$98,995	\$0
Capital Projects Funds:		
Emergency Grant Repair	0	13,286
New Construction	0	85,709
Total Capital Projects Funds		98,995
Total All Funds	<u>\$98,995</u>	<u>\$98,995</u>

**21. CONTINGENCIES**

**A. Grants**

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

**ZANE TRACE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**21. CONTINGENCIES (Continued)**

**B. Litigation**

The School District is not party to any legal proceedings.

**22. SUBSEQUENT EVENT**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 20, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**23. PRIOR PERIOD RESTATEMENT**

In prior years, the revenues and expenses reported in the Internal Service fund represented the District's internal dental insurance activity and the medical insurance activity as the Ross County School Employees Insurance Consortium (the Consortium) received monies from the District (revenue) and when the Consortium made payments to the third party administrator for claims and administrative fees (expense) plus any impairment of an asset.

For 2001, the District changed its method of reporting these revenues and expenses by reporting as revenue monies received from participating employees' payroll deductions and the Board's monetary contribution to the dental and medical insurance program. An expense is recorded when a claim occurs.

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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

**23. PRIOR PERIOD RESTATEMENT (Continued)**

The change had the following effect on retained earnings as it was previously reported as of June 30, 2000.

	<b>Internal Service Fund</b>
Retained Earnings at June 30, 2000	\$94,253
Restatement amount	(11,903)
Restated Retained Earnings at June 30, 2000	\$82,350

The effect on net income from the change in reporting during the year ended June 30, 2000:

	<b>Internal Service Fund</b>
Net Income for June 30, 2000	\$125,124
Effect of the accounting change	(66,314)
Restated Net Income at June 30, 2000	\$58,810



**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass-Through Grantor/ Program Grant Title	Federal CFDA Number	Pass-through Agency Awarding Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. Department of Agriculture</u></b>						
<i>Passed through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Distribution (See Note "B")	10.550			\$ 16,837		\$18,198
National School Breakfast Program	10.553	05-PU 00/01	\$12,794	-	\$12,794	-
National School Lunch Program	10.555	04-PU 00/01	61,024	-	61,024	-
Total U.S. Department of Agriculture			73,818	16,837	73,818	18,198
<b><u>U.S. Department of Education</u></b>						
<i>Passed through Ohio Department of Education</i>						
Title I	84.010	C1-S1 00/01	131,809	-	163,482	-
Drug Free Federal Subsidy	84.186	DR-S1 01	1,727	-	0	-
Goals 2000	84.276	G2-S2 01	35,579	-	8,107	-
Eisenhower Professional Development	84.281	MS-S1 01	5,204	-	5,204	-
Innovative Education Program	84.298	C2-S1 01	6,176	-	4,939	-
Title VI R	84.340	CR-S1 01	29,786	-	20,894	-
<i>Special Education Cluster:</i>						
Title VI B	84.027	6B-SF 01 P	69,575	-	71,567	-
Total U.S. Department of Education			279,856	-	274,193	-
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$353,674</b>	<b>\$16,837</b>	<b>\$ 348,011</b>	<b>\$18,198</b>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statements.

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed.

At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
www.auditor.state.oh.us

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

Board of Education  
Zane Trace Local School District  
Ross County  
946 State Route 180  
Chillicothe, Ohio 45601

To: Board of Education

We have audited the general-purpose financial statements of the Zane Trace Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 20, 2001, wherein we noted the District changed its method of accounting for health insurance activity in the Internal Service Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2001-10771-001. We also noted other immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 20, 2001.

**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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. The reportable condition involved a matter coming to our attention relating to a significant deficiency in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10771-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 20, 2001.

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

**JIM PETRO**  
Auditor of State

November 20, 2001



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OFFICE OF THE AUDITOR

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Columbus, Ohio 43215  
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800-443-9275  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Zane Trace Local School District  
Ross County  
946 State Route 180  
Chillicothe, Ohio 45601

To: Board of Education

**Compliance**

We have audited the compliance of Zane Trace Local School District, Ross County, Ohio (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, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

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

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

**JIM PETRO**  
Auditor of State

November 20, 2001

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2001**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**Finding Number** **2001-10771-001**

**FINDING FOR RECOVERY  
Student Activities - Future Farmers of America**

The Future Farmers of America (FFA) conducts an annual fruit sale from which profits are used to pay national membership dues, to make contributions to the FFA scholarship fund, to pay attendance fees for the national convention and to pay FAA camp participant fees.

For the 2000-2001 fruit sale, the participants solicited pre-orders from customers that retailed at \$17,670, but made purchases from various vendors to supply the pre-orders that totaled \$21,950, at retail. The activity advisor provided the following accounting of items purchased:

**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2001  
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**Finding Number** **2001-10771-001 (Continued)**

**FINDING FOR RECOVERY  
Student Activities - Future Farmers of America (Continued)**

Category		Retail Value
Pre-orders (Sales)	\$	17,670
Donated		2,080
Spoilage		404
Consumed by Students		571
Pre-order items not picked-up by Students for delivery		(483)
	\$	20,242
Inventory to be accounted for		21,950
Inventory unaccounted for	\$	1,708

As shown in the table above, the activity records maintained by the Advisor could not account for goods with a retail value of \$1,708, through donations, spoilage, consumed items, or as part of cash collections.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due but not collected is hereby issued against Gary Peters, FFA Advisor, in the amount of one thousand seven hundred and eight dollars (\$1,708), in favor of the Special Revenue Fund.

The \$1,708 total represents the retail value of the good not accounted for. It is acknowledged that upon adequate documentation of the actual amount expended by the school district for the cost of these goods correlating to the retail value, repayment of the cost would be appropriate.

**Finding Number** **2001-10771-002**

**Student Activities**

The Board of Education, by policy, has authorized the District Treasurer to establish accounting procedures and policies to govern the financial activities of student activities. The Treasurer provided the "Student Activity Procedures" fact sheet to every advisor at the annual information session. Several student activity advisors did not perform specific procedures outlined in the Student Activity Procedures fact sheet. The following procedures were not performed:



**ZANE TRACE LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2001  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2001-10771-002 (Continued)</b>
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**Student Activities (Continued)**

- duplicate receipts were not used to record money received for club dues, activity fees and fund raiser receipts turned in by students to activity advisors;
- subsidiary records maintained were often incomplete and inaccurate, and therefore could not fully document the financial activities of the activity;
- Sales Potential Forms were not completed for every fund raiser conducted by the various student activities within the District. In those cases where sale potential forms were completed there was no evidence the supervisor reviewed the forms prior to or subsequent to the event's completion. As a result, the supervisor was unaware monies were not collected, as in the instance noted in finding number 2001-10771-001, or a participating student did not return monies collected for merchandise delivered.

The activity advisor should follow the procedures outlined in the "Student Activity Procedures" fact sheet. Failure to implement these internal control procedures and maintain complete and accurate financial records could result in the misappropriation of activities' resources.

Therefore, we recommend the following:

- advisors should issue duplicate receipts for all collections received;
- advisors should prepare accurate and complete sales potential form for every event. The supervisor should review the form prior to and after the event. Such review should ensure all monies due are collected, and recorded with the District Treasurer. Any uncollected monies should be identified and subjected to collection procedures established by the District Treasurer, or explanation provided by the advisor for the disparity in expended and actual collections., and
- advisors should maintain subsidiary records to document the event's financial activity.

<b>3. FINDINGS RELATED AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**ZANE TRACE 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  
JANUARY 29, 2002**