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STATE OF OHIO



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January 21, 2003

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

TABLE OF CONTENTS

| | |
|--|----|
| Report of Independent Accountants | 1 |
| General Purpose Financial Statements: | |
| Combined Balance Sheet – All Fund Types and Account Groups | 4 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types | 9 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – All Governmental Fund Types..... | 10 |
| Statement of Revenues, Expenses and Changes in Retained Earnings Internal Service Fund | 12 |
| Statement of Revenues, Expenses and Changes in Retained Earnings Budget and Actual – Internal Service Fund | 13 |
| Statement of Cash Flows – Internal Service Fund | 14 |
| Notes to the General Purpose Financial Statements..... | 15 |
| Schedule of Federal Awards Receipts and Expenditures..... | 39 |
| Notes to the Schedule of Federal Awards Receipts and Expenditures | 40 |
| Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 41 |
| Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance In Accordance with OMB Circular A-133 | 43 |
| Schedule of Findings | 45 |
| Schedule of Prior Audit Findings..... | 47 |

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REPORT OF INDEPENDENT ACCOUNTANTS

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 Zane Trace Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 2002, 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 Zane Trace Local School District, Ross County, Ohio as of June 30, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

November 7, 2002

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ZANE TRACE LOCAL SCHOOL DISTRICT

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

| | <u>GOVERNMENTAL FUND TYPES</u> | | | |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
| <u>Assets and Other Debits:</u> | | | | |
| <u>Assets:</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$5,455,470 | \$460,358 | \$522,882 | \$507,605 |
| Cash and Cash Equivalents with Fiscal Agents | 0 | 0 | 0 | 0 |
| Receivables: | | | | |
| Taxes | 3,287,317 | 63,474 | 343,279 | 0 |
| Intergovernmental | 0 | 46,772 | 0 | 0 |
| Accrued Interest | 4,352 | 0 | 0 | 0 |
| Interfund | 16,015 | 0 | 0 | 0 |
| Materials and Supplies Inventory | 5,515 | 2,526 | 0 | 0 |
| Prepaid Items | 2,921 | 974 | 0 | 0 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 410,009 | 0 | 0 | 0 |
| Fixed Assets | 0 | 0 | 0 | 0 |
| <u>Other Debits:</u> | | | | |
| Amount Available in Debt Service Fund for Retirement of General Obligation Bonds | 0 | 0 | 0 | 0 |
| Amount to be Provided from General Government Resources | 0 | 0 | 0 | 0 |
| Total Assets and Other Debits | <u>\$9,181,599</u> | <u>\$574,104</u> | <u>\$866,161</u> | <u>\$507,605</u> |

See accompanying notes to the general purpose financial statements

| <i>PROPRIETARY FUND TYPE</i> | <i>FIDUCIARY FUND TYPE</i> | <i>ACCOUNT GROUPS</i> | | Totals (Memorandum Only) |
|----------------------------------|--------------------------------|----------------------------|-------------------------------------|--------------------------------|
| Internal Service | Agency | General Fixed Assets | General Long-Term Obligations | |
| \$12,456 | \$17,268 | \$0 | \$0 | \$6,976,039 |
| 1,126 | 0 | 0 | 0 | 1,126 |
| 0 | 0 | 0 | 0 | 3,694,070 |
| 7,195 | 0 | 0 | 0 | 53,967 |
| 0 | 0 | 0 | 0 | 4,352 |
| 0 | 0 | 0 | 0 | 16,015 |
| 0 | 0 | 0 | 0 | 8,041 |
| 0 | 0 | 0 | 0 | 3,895 |
| 0 | 0 | 0 | 0 | 410,009 |
| 0 | 0 | 17,648,812 | 0 | 17,648,812 |
| 0 | 0 | 0 | 545,379 | 545,379 |
| 0 | 0 | 0 | 4,937,154 | 4,937,154 |
| <u>\$20,777</u> | <u>\$17,268</u> | <u>\$17,648,812</u> | <u>\$5,482,533</u> | <u>\$34,298,859</u> |

(continued)

ZANE TRACE LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002
 (continued)

| | GOVERNMENTAL FUND TYPES | | | |
|---|--------------------------------|--------------------|------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| <u>Liabilities,</u> | | | | |
| <u>Fund Equity and Other Credits:</u> | | | | |
| <u>Liabilities:</u> | | | | |
| Accounts Payable | \$14,415 | \$2,232 | \$0 | \$0 |
| Accrued Wages and Benefits | 557,422 | 50,044 | 0 | 0 |
| Compensated Absences Payable | 22,470 | 0 | 0 | 0 |
| Special Termination Benefits Payable | 7,500 | 0 | 0 | 0 |
| Interfund Payable | 0 | 0 | 0 | 16,015 |
| Intergovernmental Payable | 132,421 | 8,478 | 0 | 0 |
| Deferred Revenue | 3,086,073 | 106,188 | 320,782 | 0 |
| Undistributed Monies | 0 | 0 | 0 | 0 |
| Claims Payable | 0 | 0 | 0 | 0 |
| Capital Leases Payable | 0 | 0 | 0 | 0 |
| General Obligation Bonds Payable | 0 | 0 | 0 | 0 |
| Total Liabilities | 3,820,301 | 166,942 | 320,782 | 16,015 |
| <u>Fund Equity and Other Credits:</u> | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 |
| Retained Earnings: | | | | |
| Unreserved (Deficit) | 0 | 0 | 0 | 0 |
| Fund Balance: | | | | |
| Reserved for Encumbrances | 241,649 | 37,207 | 0 | 136,700 |
| Reserved for Property Taxes | 196,651 | 4,058 | 22,497 | 0 |
| Reserve for Material Supplies Inventory | 5,515 | 2,526 | 0 | 0 |
| Reserved for Textbooks and Instructional Materials | 145,812 | 0 | 0 | 0 |
| Reserved for Capital Improvements | 241,137 | 0 | 0 | 0 |
| Reserved for Budget Stabilization | 23,060 | 0 | 0 | 0 |
| Unreserved: | | | | |
| Undesignated | 4,507,474 | 363,371 | 522,882 | 354,890 |
| Total Fund Equity (Deficit) and Other Credits | 5,361,298 | 407,162 | 545,379 | 491,590 |
| Total Liabilities, Fund Equity and Other Credits | \$9,181,599 | \$574,104 | \$866,161 | \$507,605 |

See accompanying notes to the general purpose financial statements

| <i>PROPRIETARY FUND TYPE</i> | <i>FIDUCIARY FUND TYPE</i> | <i>ACCOUNT GROUPS</i> | | Totals (Memorandum Only) |
|----------------------------------|--------------------------------|----------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Internal Service | Agency | | | |
| \$0 | \$0 | \$0 | \$0 | \$16,647 |
| 0 | 0 | 0 | 0 | 607,466 |
| 0 | 0 | 0 | 744,516 | 766,986 |
| 0 | 0 | 0 | 0 | 7,500 |
| 0 | 0 | 0 | 0 | 16,015 |
| 0 | 0 | 0 | 72,252 | 213,151 |
| 0 | 0 | 0 | 0 | 3,513,043 |
| 0 | 17,268 | 0 | 0 | 17,268 |
| 181,898 | 0 | 0 | 0 | 181,898 |
| 0 | 0 | 0 | 75,765 | 75,765 |
| 0 | 0 | 0 | 4,590,000 | 4,590,000 |
| <u>181,898</u> | <u>17,268</u> | <u>0</u> | <u>5,482,533</u> | <u>10,005,739</u> |
| 0 | 0 | 17,648,812 | 0 | 17,648,812 |
| (161,121) | 0 | 0 | 0 | (161,121) |
| 0 | 0 | 0 | 0 | 415,556 |
| 0 | 0 | 0 | 0 | 223,206 |
| 0 | 0 | 0 | 0 | 8,041 |
| 0 | 0 | 0 | 0 | 145,812 |
| 0 | 0 | 0 | 0 | 241,137 |
| 0 | 0 | 0 | 0 | 23,060 |
| 0 | 0 | 0 | 0 | 5,748,617 |
| <u>(161,121)</u> | <u>0</u> | <u>17,648,812</u> | <u>0</u> | <u>24,293,120</u> |
| <u>\$20,777</u> | <u>\$17,268</u> | <u>\$17,648,812</u> | <u>\$5,482,533</u> | <u>\$34,298,859</u> |

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ZANE TRACE LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2002

| | GOVERNMENTAL FUND TYPES | | | | Totals (Memorandum Only) |
|---|--------------------------------|--------------------|-----------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| <u>Revenues:</u> | | | | | |
| Property Taxes | \$3,368,884 | \$65,780 | \$453,820 | \$0 | \$3,888,484 |
| Income Tax | 20,803 | 0 | 0 | 0 | 20,803 |
| Intergovernmental | 5,045,317 | 417,136 | 42,284 | 147,399 | 5,652,136 |
| Interest | 280,681 | 27 | 0 | 0 | 280,708 |
| Tuition and Fees | 56,236 | 0 | 0 | 0 | 56,236 |
| Extracurricular Activities | 21,334 | 263,117 | 0 | 0 | 284,451 |
| Gifts and Donations | 0 | 15,267 | 0 | 0 | 15,267 |
| Customer Services | 3,489 | 319,625 | 0 | 0 | 323,114 |
| Miscellaneous | 138,054 | 25,211 | 0 | 0 | 163,265 |
| Total Revenues | 8,934,798 | 1,106,163 | 496,104 | 147,399 | 10,684,464 |
| <u>Expenditures:</u> | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 3,695,257 | 102,885 | 0 | 0 | 3,798,142 |
| Special | 324,772 | 193,939 | 0 | 0 | 518,711 |
| Vocational | 6,307 | 0 | 0 | 0 | 6,307 |
| Other | 312,374 | 0 | 0 | 0 | 312,374 |
| Support Services: | | | | | |
| Pupils | 245,895 | 8,467 | 0 | 0 | 254,362 |
| Instructional Staff | 272,283 | 3,399 | 0 | 0 | 275,682 |
| Board of Education | 75,939 | 0 | 0 | 0 | 75,939 |
| Administration | 530,997 | 38,751 | 0 | 0 | 569,748 |
| Fiscal | 452,334 | 4,218 | 719 | 0 | 457,271 |
| Operation and Maintenance of Plant | 847,212 | 212,194 | 0 | 0 | 1,059,406 |
| Pupil Transportation | 558,264 | 0 | 0 | 0 | 558,264 |
| Central | 40,625 | 33,629 | 0 | 29,374 | 103,628 |
| Operation of Non-Instructional Services: | | | | | |
| Services | 0 | 381,268 | 0 | 0 | 381,268 |
| Extracurricular Activities | 145,815 | 222,485 | 0 | 0 | 368,300 |
| Capital Outlay | 26,317 | 7,446 | 0 | 11,298 | 45,061 |
| Debt Service: | | | | | |
| Principal Retirement | 16,102 | 4,652 | 240,000 | 0 | 260,754 |
| Interest and Fiscal Charges | 5,559 | 1,064 | 271,020 | 0 | 277,643 |
| Total Expenditures | 7,556,052 | 1,214,397 | 511,739 | 40,672 | 9,322,860 |
| Excess of Revenues Over (Under) Expenditures | 1,378,746 | (108,234) | (15,635) | 106,727 | 1,361,604 |
| <u>Other Financing Sources (Uses):</u> | | | | | |
| Inception of Capital Lease | 26,317 | 7,446 | 0 | 0 | 33,763 |
| Operating Transfers In | 0 | 14,714 | 0 | 0 | 14,714 |
| Operating Transfers Out | (14,714) | 0 | 0 | 0 | (14,714) |
| Total Other Financing Sources (Uses) | 11,603 | 22,160 | 0 | 0 | 33,763 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 1,390,349 | (86,074) | (15,635) | 106,727 | 1,395,367 |
| Fund Balances at Beginning of Year - Restated (Note 21) | 3,970,949 | 493,236 | 561,014 | 384,863 | 5,410,062 |
| Fund Balances at End of Year | \$5,361,298 | \$407,162 | \$545,379 | \$491,590 | \$6,805,429 |

See accompanying notes to the general purpose financial statements

ZANE TRACE LOCAL SCHOOL DISTRICT
 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, 2002

| | GENERAL FUND | | | SPECIAL REVENUE FUNDS | | |
|---|---------------------|--------------------|--|------------------------------|------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| <u>Revenues:</u> | | | | | | |
| Property Taxes | \$3,536,020 | \$3,303,995 | (\$232,025) | \$64,510 | \$64,671 | \$161 |
| Income Tax | 129,230 | 129,230 | 0 | 0 | 0 | 0 |
| Intergovernmental | 4,148,051 | 5,045,317 | 897,266 | 409,242 | 417,136 | 7,894 |
| Interest | 279,321 | 279,321 | 0 | 27 | 27 | 0 |
| Tuition and Fees | 55,427 | 55,427 | 0 | 0 | 0 | 0 |
| Extracurricular Activities | 21,334 | 21,334 | 0 | 264,103 | 264,103 | 0 |
| Gifts and Donations | 0 | 0 | 0 | 15,267 | 15,267 | 0 |
| Customer Services | 0 | 3,489 | 3,489 | 319,625 | 319,625 | 0 |
| Miscellaneous | 138,679 | 138,679 | 0 | 25,328 | 25,328 | 0 |
| Total Revenues | 8,308,062 | 8,976,792 | 668,730 | 1,098,102 | 1,106,157 | 8,055 |
| <u>Expenditures:</u> | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 3,880,293 | 3,786,512 | 93,781 | 121,345 | 110,053 | 11,292 |
| Special | 334,556 | 325,150 | 9,406 | 200,707 | 196,823 | 3,884 |
| Vocational | 6,754 | 6,307 | 447 | 0 | 0 | 0 |
| Other | 313,045 | 313,045 | 0 | 0 | 0 | 0 |
| Support Services: | | | | | | |
| Pupils | 281,497 | 250,669 | 30,828 | 8,589 | 8,548 | 41 |
| Instructional Staff | 295,654 | 280,628 | 15,026 | 4,262 | 3,761 | 501 |
| Board of Education | 97,141 | 92,019 | 5,122 | 0 | 0 | 0 |
| Administration | 606,732 | 581,023 | 25,709 | 45,357 | 42,749 | 2,608 |
| Fiscal | 486,227 | 461,285 | 24,942 | 8,374 | 6,095 | 2,279 |
| Operation and Maintenance of Plant | 924,659 | 873,897 | 50,762 | 226,767 | 216,661 | 10,106 |
| Pupil Transportation | 656,804 | 619,997 | 36,807 | 0 | 0 | 0 |
| Central | 64,012 | 61,848 | 2,164 | 33,736 | 33,629 | 107 |
| Operation of Non-Instructional Services | | | | | | |
| Extracurricular Activities | 148,171 | 146,027 | 2,144 | 387,530 | 384,512 | 3,018 |
| Capital Outlay | 0 | 0 | 0 | 264,281 | 252,918 | 11,363 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | 8,095,545 | 7,798,407 | 297,138 | 1,300,948 | 1,255,749 | 45,199 |
| Excess of Revenues Over (Under) Expenditures | 212,517 | 1,178,385 | 965,868 | (202,846) | (149,592) | 53,254 |
| <u>Other Financing Sources (Uses):</u> | | | | | | |
| Refund of Prior Year Expenditures | 0 | 809 | 809 | 0 | 0 | 0 |
| Operating Transfers In | 0 | 0 | 0 | 8,714 | 14,714 | 6,000 |
| Operating Transfers Out | (628,825) | (14,714) | 614,111 | 0 | 0 | 0 |
| Advances In | 0 | 82,980 | 82,980 | 0 | 0 | 0 |
| Advances Out | (9,431) | 0 | 9,431 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | (638,256) | 69,075 | 707,331 | 8,714 | 14,714 | 6,000 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (425,739) | 1,247,460 | 1,673,199 | (194,132) | (134,878) | 59,254 |
| Fund Balances at Beginning of Year | 3,859,242 | 3,859,242 | 0 | 481,135 | 481,135 | 0 |
| Prior Year Encumbrances Appropriated | 503,614 | 503,614 | 0 | 76,100 | 76,100 | 0 |
| Fund Balances at End of Year | \$3,937,117 | \$5,610,316 | \$1,673,199 | \$363,103 | \$422,357 | \$59,254 |

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) |
| \$455,503 | \$455,503 | \$0 | \$0 | \$0 | \$0 | \$4,056,033 | \$3,824,169 | (\$231,864) |
| 0 | 0 | 0 | 0 | 0 | 0 | 129,230 | 129,230 | 0 |
| 39,664 | 42,284 | 2,620 | 73,829 | 156,808 | 82,979 | 4,670,786 | 5,661,545 | 990,759 |
| 0 | 0 | 0 | 0 | 0 | 0 | 279,348 | 279,348 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 55,427 | 55,427 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 285,437 | 285,437 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 15,267 | 15,267 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 319,625 | 323,114 | 3,489 |
| 0 | 0 | 0 | 0 | 0 | 0 | 164,007 | 164,007 | 0 |
| <u>495,167</u> | <u>497,787</u> | <u>2,620</u> | <u>73,829</u> | <u>156,808</u> | <u>82,979</u> | <u>9,975,160</u> | <u>10,737,544</u> | <u>762,384</u> |
| 0 | 0 | 0 | 0 | 0 | 0 | 4,001,638 | 3,896,565 | 105,073 |
| 0 | 0 | 0 | 0 | 0 | 0 | 535,263 | 521,973 | 13,290 |
| 0 | 0 | 0 | 0 | 0 | 0 | 6,754 | 6,307 | 447 |
| 0 | 0 | 0 | 0 | 0 | 0 | 313,045 | 313,045 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 290,086 | 259,217 | 30,869 |
| 0 | 0 | 0 | 0 | 0 | 0 | 299,916 | 284,389 | 15,527 |
| 0 | 0 | 0 | 0 | 0 | 0 | 97,141 | 92,019 | 5,122 |
| 0 | 0 | 0 | 0 | 0 | 0 | 652,089 | 623,772 | 28,317 |
| 2,037 | 719 | 1,318 | 0 | 0 | 0 | 496,638 | 468,099 | 28,539 |
| 0 | 0 | 0 | 0 | 0 | 0 | 1,151,426 | 1,090,558 | 60,868 |
| 0 | 0 | 0 | 0 | 0 | 0 | 656,804 | 619,997 | 36,807 |
| 0 | 0 | 0 | 80,039 | 74,956 | 5,083 | 177,787 | 170,433 | 7,354 |
| 0 | 0 | 0 | 0 | 0 | 0 | 387,530 | 384,512 | 3,018 |
| 0 | 0 | 0 | 0 | 0 | 0 | 412,452 | 398,945 | 13,507 |
| 0 | 0 | 0 | 197,433 | 182,979 | 14,454 | 197,433 | 182,979 | 14,454 |
| 240,000 | 240,000 | 0 | 0 | 0 | 0 | 240,000 | 240,000 | 0 |
| 271,020 | 271,020 | 0 | 0 | 0 | 0 | 271,020 | 271,020 | 0 |
| <u>513,057</u> | <u>511,739</u> | <u>1,318</u> | <u>277,472</u> | <u>257,935</u> | <u>19,537</u> | <u>10,187,022</u> | <u>9,823,830</u> | <u>363,192</u> |
| <u>(17,890)</u> | <u>(13,952)</u> | <u>3,938</u> | <u>(203,643)</u> | <u>(101,127)</u> | <u>102,516</u> | <u>(211,862)</u> | <u>913,714</u> | <u>1,125,576</u> |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 809 | 809 |
| 0 | 0 | 0 | 0 | 0 | 0 | 8,714 | 14,714 | 6,000 |
| 0 | 0 | 0 | 0 | 0 | 0 | (628,825) | (14,714) | 614,111 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 82,980 | 82,980 |
| 0 | 0 | 0 | (82,980) | (82,980) | 0 | (92,411) | (82,980) | 9,431 |
| 0 | 0 | 0 | (82,980) | (82,980) | 0 | (712,522) | 809 | 713,331 |
| (17,890) | (13,952) | 3,938 | (286,623) | (184,107) | 102,516 | (924,384) | 914,523 | 1,838,907 |
| 536,834 | 536,834 | 0 | 544,576 | 544,576 | 0 | 5,421,787 | 5,421,787 | 0 |
| 0 | 0 | 0 | 9,433 | 9,433 | 0 | 589,147 | 589,147 | 0 |
| <u>\$518,944</u> | <u>\$522,882</u> | <u>\$3,938</u> | <u>\$267,386</u> | <u>\$369,902</u> | <u>\$102,516</u> | <u>\$5,086,550</u> | <u>\$6,925,457</u> | <u>\$1,838,907</u> |

See accompanying notes to the general purpose financial statements

ZANE TRACE LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenses
and Changes in Retained Earnings

Internal Service Fund

For the Fiscal Year Ended June 30, 2002

| | <u><i>Self-Insurance</i></u> |
|--|------------------------------|
| <u>Operating Revenues:</u> | |
| Charges for Services | <u>\$1,333,818</u> |
| <u>Operating Expenses:</u> | |
| Purchased Services | 144,120 |
| Claims | <u>1,304,502</u> |
| <i>Total Operating Expenses</i> | <u>1,448,622</u> |
| Net Loss | (114,804) |
| Retained Earnings (Deficit) at Beginning of Year - Restated (Note 21) | <u>(46,317)</u> |
| Retained Earnings (Deficit) at End of Year | <u><u>(\$161,121)</u></u> |

See accompanying notes to the general purpose financial statements

ZANE TRACE LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Budget Basis)
Internal Service Fund
For the Fiscal Year Ended June 30, 2002

| | <i>SELF-INSURANCE</i> | | |
|--------------------------------------|------------------------------|----------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| <u>Revenues:</u> | | | |
| Charges for Services | \$72,718 | \$72,718 | \$0 |
| <u>Expenses:</u> | | | |
| Fringe Benefits | 69,250 | 69,250 | 0 |
| Excess of Revenues Over Expenses | 3,468 | 3,468 | 0 |
| Fund Equity at Beginning of Year | 4,646 | 4,646 | 0 |
| Prior Year Encumbrances Appropriated | 2,059 | 2,059 | 0 |
| Fund Equity at End of Year | \$10,173 | \$10,173 | \$0 |

See accompanying notes to the general purpose financial statements

ZANE TRACE LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Internal Service Fund

For the Fiscal Year Ended June 30, 2002

| <i>Increase (Decrease) in Cash and Cash Equivalents:</i> | |
|--|------------------------------|
| <u>Cash Flows from Operating Activities:</u> | <u>Self-Insurance</u> |
| Cash Received from Quasi-External Transactions with Other Funds | \$1,333,818 |
| Cash Payments to Suppliers for Goods and Services | (144,120) |
| Cash Payments for Claims | <u>(1,364,896)</u> |
| Net Cash Used for Operating Activities | <u>(175,198)</u> |
| <u>Cash Flows from Noncapital Financing Activities:</u> | |
| Short-Term Loans to Other Governments | (7,195) |
| Payments Received from Other Governments | <u>160,205</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>153,010</u> |
| Net Decrease in Cash and Cash Equivalents | (22,188) |
| Cash and Cash Equivalents at Beginning of Year | <u>35,770</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$13,582</u></u> |
| <i>Reconciliation of Net Loss to Net</i> | |
| <u>Cash Used for Operating Activities:</u> | |
| Net Loss | (\$114,804) |
| <i>Adjustments to Reconcile Net Loss to</i> | |
| <u>Net Cash Used for Operating Activities:</u> | |
| Decrease in Claims Payable | <u>(60,394)</u> |
| Net Cash Used for Operating Activities | <u><u>(\$175,198)</u></u> |

See accompanying notes to the general purpose financial statements

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 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 48 non-certificated employees, 82 certificated full-time teaching personnel and 4 administrative employees who provide services to 1,521 students and other community members. The School District currently operates one instructional building.

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

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

The School District participates in 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, the Pickaway-Ross County Joint Vocational School, the 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 16 and 17 to the general purpose financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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.

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).

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Type:

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

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.

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 has no contributed capital. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, taxpayer-assessed income taxes, 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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

C. Budgetary Process

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

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Self-Insurance Internal Service Fund has only the dental insurance portion of the fund budgeted and shown as part of the School District's cash activity; the medical insurance activity is handled by a fiscal agent and is not budgeted within the Internal Service Fund but within the general fund of the district. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been given authority to further allocate appropriations to functions and objects within each fund.

Tax Budget:

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

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

Estimated Resources:

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

Appropriations:

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

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, which was significant, was legally enacted.

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (Continued)

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed by the Board of Education as a management control device during the year for all funds at the function level, 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 the 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.

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, 2002, is presented as "Cash and Cash Equivalents with Fiscal Agents" on the balance sheet.

During fiscal year 2002, the District held Certificates of Deposits 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 2002 amounted to \$280,681, which includes \$89,366 assigned from other School District funds.

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

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

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.

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, special termination benefits 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 types are reported as liabilities within that fund.

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 18 for additional information regarding set-asides. Restricted assets total \$ 410,009 at June 30, 2002.

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. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, 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.

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2002, the Chapter I and Title VI-R Special Revenue Funds, the Emergency Grant Repair Capital Projects Fund, and the Self-Insurance Internal Service Fund had deficit fund balances/retained earnings of \$8,092, \$3,988, \$13,286, and \$161,121 respectively. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur. The School District is currently monitoring user charges to see if an increase in rates in the internal service fund will be necessary.

The District did not comply with Ohio Rev. Code Section 5705. 41(B) in updating their appropriation measure during the year before an expenditure was made. The following funds were affected:

Classroom Facilities Maintenance Fund-034
District Managed Activity Fund-300
Rotary Fund-014

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and 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).

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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.

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 | \$1,390,349 | (\$86,074) | (\$15,635) | \$106,727 |
| Adjustments: | | | | |
| Revenue Accruals | 47,724 | 0 | 1,683 | 10,411 |
| Expenditure Accruals | 7,887 | (3,357) | 0 | (80,562) |
| Inception of Capital Lease | (26,317) | (7,446) | 0 | 0 |
| Encumbrances | (250,242) | (38,001) | 0 | (136,701) |
| Advances | 82,980 | 0 | 0 | (82,980) |
| Unrecorded Cash | (4,921) | 0 | 0 | (1,002) |
| Budget Basis | \$1,247,460 | (\$134,878) | (\$13,952) | (\$184,107) |

| | |
|---|----------------|
| | Self-Insurance |
| GAAP Basis | (\$114,804) |
| Adjustments: | |
| Expense Accruals | (147,846) |
| Excess of Revenues Under Expenses for Nonbudgeted Activity | 268,401 |
| Encumbrances | (2,283) |
| Budget Basis | \$3,468 |

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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 \$7,387,174, and the bank balance was \$7,533,580. Of the bank balance, \$200,000 was covered by federal depository insurance and \$7,333,580 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 had no investments at June 30, 2002.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

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

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES (continued)

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

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

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

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

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

| | 2001 Second- Half Collections | | 2002 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$100,113,450 | 70.37% | \$114,544,040 | 74.62% |
| Public Utility | 11,385,330 | 8.00% | 9,728,030 | 6.34% |
| Tangible Personal Property | 30,766,120 | 21.63% | 29,224,480 | 19.04% |
| Total Assessed Value | <u>\$142,264,900</u> | <u>100.00%</u> | <u>\$153,496,550</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$34.70 | | \$33.00 | |

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the 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.

The amount available as an advance at June 30, 2002, was \$196,651 in the General Fund, \$4,058 in the Classroom Maintenance Special Revenue Fund, and \$22,497 in the Debt Service Fund.

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 7 - 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 2002 consists only of delinquent taxes. Income tax revenue is credited to the General Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2002, consisted of taxes, intergovernmental grants, accrued interest, and interfund amounts. The Self-Insurance Internal Service Fund intergovernmental receivables consist of claims payments made on behalf of other members of the Ross County Insurance Consortium using surplus monies of the School District on behalf of Zane Trace. 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:

| Fund Type/Fund | Amount |
|---------------------------------------|----------|
| Special Revenue Funds: | |
| Dwight D. Eisenhower | \$735 |
| Drug Free Schools | 4,438 |
| Title VI-R | 18,015 |
| Title VI-B | 23,584 |
| Total Special Revenue Funds | 46,772 |
| Internal Service Fund | |
| Short-Term Loans to Other Governments | 7,195 |
| Total All Funds | \$53,967 |

NOTE 9 - FIXED ASSETS

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

| Asset Category | Restated Balance at 6/30/01 | Additions | Deductions | Balance at 6/30/02 |
|-----------------------------------|-----------------------------------|-----------|------------|-----------------------|
| Land and Improvements | \$230,715 | \$28,422 | \$40,208 | \$218,929 |
| Buildings and Improvements | 15,679,135 | 22,080 | 653,000 | 15,048,215 |
| Furniture, Fixtures and Equipment | 1,109,952 | 90,860 | 42,977 | 1,157,835 |
| Vehicles | 1,230,545 | 66,585 | 73,297 | 1,223,833 |
| Totals | \$18,250,347 | \$207,947 | \$809,482 | \$17,648,812 |

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Nationwide Insurance for general liability and fleet insurance, Indiana Insurance for property insurance, and Sharrer Weddleton Insurance for boiler and machinery coverage. Insurance coverage provided includes the following:

| | |
|--|-------------|
| Building and Contents (\$1,000 deductible) | \$9,677,826 |
| Boiler and Machinery (\$1,000 deductible) | No Limit |
| Automobile Liability (\$100 deductible) | 2,000,000 |
| General Liability: | |
| Per occurrence | 1,000,000 |
| Total per year | 1,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been a significant change in coverage due to the fact that the School District is no longer in the process of constructing new buildings.

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 sixteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$181,898 reported in the internal service fund at June 30, 2002, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 30 "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 |
|------|------------------------------------|---------------------------|--------------------|---------------------------|
| 2001 | \$108,200 | \$729,114 | \$589,047 | \$248,267 |
| 2002 | 248,267 | 1,304,502 | 1,370,871 | 181,898 |

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$62,890, \$32,769, and \$57,566, respectively; 51.36 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$30,588 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$346,948, \$312,932, and \$196,589, respectively; 84.28 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$54,527 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$164,344 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$118,330.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Special Termination Benefits

The School District offered an Early Retirement Incentive program to all employees who were eligible to retire from STRS. This incentive was offered through June 30, 2002. The employee who takes advantage of this program in the first year of eligibility may receive a payment of \$15,000 over a two year period. An eligible employee who elects to forego the retirement incentive in the first year that the employee is eligible shall be entitled to participate in the incentive program the next year at a reduced payment rate of \$7,500. If an eligible employee foregoes the incentive in the second year it is available, the employee will have waived any opportunity to receive a retirement incentive. In fiscal year 2002, a liability was recorded as special termination benefits payable on the balance sheet for one employee, in the fund from which the employee was paid.

The School District also offers an Early Notice of Retirement Incentive program to all employees who are eligible to retire from either SERS or STRS. The employees who give written notice of the intended retirement date on or before March 1st of the year in which they intend to retire will be paid \$1,000 in their last paycheck.

C. Life Insurance

The School District provides life insurance to most employees through Safeco.

D. Deferred Compensation

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

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In fiscal year 2002, 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.

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

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 \$181,898, 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. During fiscal year 2002, the School District entered into a new lease prior to the full retirement of the old lease. Therefore, the balance of \$26,031 remaining on the old lease was eliminated on the financial statements upon entering into the new lease. Principal payments in fiscal year 2002 totaled \$20,754 in the governmental funds.

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

| Fiscal Year Ending June 30, | GLTDAG |
|---|----------|
| 2003 | \$30,713 |
| 2004 | 25,561 |
| 2005 | 19,611 |
| 2006 | 9,508 |
| 2007 | 1,601 |
| Total | 86,994 |
| Less: Amount Representing Interest | (11,229) |
| Present Value of Net Minimum Lease Payments | \$75,765 |

NOTE 15 - LONG-TERM OBLIGATIONS

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

| | Restated Amount Outstanding 6/30/01 | Additions | Deductions | Amount Outstanding 6/30/02 |
|---|--|-----------|------------|----------------------------------|
| <u>General Obligation Bonds:</u> | | | | |
| 1983 School Improvement Bonds, 9.375% | \$300,000 | \$0 | \$100,000 | \$200,000 |
| 1997 School Improvement Bonds, 3.60% - 5.45% | 4,530,000 | 0 | 140,000 | 4,390,000 |
| Total General Obligation Bonds | 4,830,000 | 0 | 240,000 | 4,590,000 |
| <u>Other Long-Term Obligations:</u> | | | | |
| Capital Leases | 88,787 | 33,763 | 46,785 | 75,765 |
| Pension Obligation | 80,744 | 72,252 | 80,744 | 72,252 |
| Compensated Absences | 626,815 | 117,701 | 0 | 744,516 |
| Total Long-Term Obligations | \$5,626,346 | \$223,716 | \$367,529 | \$5,482,533 |

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

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, the retirement incentive and the pension obligation will be paid from the funds from which the employees' salaries are paid.

The School District's overall legal debt margin was \$9,770,069 with an unvoted debt margin of \$153,497 at June 30, 2002.

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

| Fiscal year Ending June 30, | Principal | Interest | Total |
|--------------------------------|--------------------|--------------------|--------------------|
| 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 | 175,000 | 212,128 | 387,128 |
| 2008-2012 | 1,075,000 | 859,199 | 1,934,199 |
| 2013-2017 | 1,465,000 | 495,814 | 1,960,814 |
| 2018-2020 | 1,055,000 | 87,881 | 1,142,881 |
| Total | <u>\$4,590,000</u> | <u>\$2,597,939</u> | <u>\$7,187,939</u> |

NOTE 16 - 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 county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$12,782 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.

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Pickaway-Ross County Joint Vocational School - The Pickaway-Ross County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, 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.

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

NOTE 17 - 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 Company. 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.

NOTE 18 - 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.

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

For the fiscal year ended June 30, 2002, 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 retained for budget stabilization or 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.

| | Textbooks | Capital Acquisition | Budget Stabilization |
|---|-----------|------------------------|-------------------------|
| Set-aside Reserve Balance as of June 30, 2001 | \$128,782 | \$216,520 | \$23,060 |
| Current Year Set-aside Requirement | 176,552 | 176,552 | 0 |
| Current Year Offsets | 0 | (70,816) | 0 |
| Qualifying Disbursements | (159,522) | (81,119) | 0 |
| Set-aside Reserve Balance as of June 30, 2002 | \$145,812 | \$241,137 | \$23,060 |

The total reserve balance for the set-asides at the end of the fiscal year was \$410,009.

NOTE 19 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2002, consist of the following individual interfund receivables and payables:

| Fund Type/Fund | Interfund Receivables | Interfund Payables |
|------------------------------|--------------------------|-----------------------|
| General Fund | \$16,015 | \$0 |
| Capital Projects Fund: | | |
| Emergency Grant Repair | 0 | 13,286 |
| New Construction | 0 | 2,729 |
| Total Capital Projects Funds | 0 | 16,015 |
| Total All Funds | \$16,015 | \$16,015 |

NOTE 20 - STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its third 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.

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 20 - STATE SCHOOL FUNDING DECISION (Continued)

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

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. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

NOTE 21 - PRIOR YEAR RESTATEMENTS

During the fiscal year errors or omissions were discovered concerning cash, capital leases, and fixed assets from the prior year. These errors or omissions are summarized as follows:

| <u>Fund Type/Account Group</u> | <u>Balance at 6/30/01</u> | <u>Restatement Amount</u> | <u>Restated Balance at 6/30/01</u> |
|---|-------------------------------|-------------------------------|--|
| Internal Service Fund | (\$52,292) | \$5,975 | (\$46,317) |
| General Long-Term Obligations Account Group | 5,635,707 | (9,361) | 5,626,346 |
| General Fixed Assets Account Group | 19,007,402 | (757,055) | 18,250,347 |
| Special Revenue Fund Type | 492,283 | 953 | 493,236 |
| Capital Projects Fund Type | 385,816 | (953) | 384,863 |

NOTE 22 - CONTINGENCIES

A. Grants

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

B. Litigation

The School District is not party to any legal proceedings.

NOTE 23 - SUBSEQUENT EVENT

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

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**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|----------------------------------|---------------------------|-------------------------|------------------------|-------------------------|---------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution Program | | 10.550 | | \$ 19,849 | | \$ 17,066 |
| National School Breakfast Program | 049544-05PU-01/02 | 10.553 | \$ 14,379 | | \$ 14,379 | |
| National School Lunch Program | 049544-LLP4-01/02 | 10.555 | 65,083 | | 65,083 | |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | <u>79,462</u> | <u>19,849</u> | <u>79,462</u> | <u>17,066</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Grants to Local Educational Agencies (ESEA Title I) | 049544-C1S1-02 | 84.010 | 143,820 | | 127,366 | |
| Special Education Grants to States (IDEA Part B) | 049544-6BSF-01/02 | 84.027 | 92,740 | | 79,040 | |
| Drug-Free Schools Grant | 049544-DRS1-01/02 | 84.186 | 2,752 | | 3,284 | |
| CIP District Grant | 049544-G2S9-01/02 | 84.276 | 9,000 | | 17,052 | |
| Eisenhower Math and Science Grant | 049544-MSS1-01/02 | 84.281 | 7,190 | | 1,576 | |
| Innovative Educational Program Strategies | 049544-C2S1-00/01/02 | 84.298 | 13,132 | | 6,870 | |
| Title VI R | 049544-CRS1-02 | 84.340 | 19,159 | | 27,870 | |
| Total U.S. Department of Education | | | <u>287,793</u> | | <u>263,058</u> | |
| Totals Federal Awards | | | <u><u>\$367,255</u></u> | <u><u>\$19,849</u></u> | <u><u>\$342,520</u></u> | <u><u>\$17,066</u></u> |

The accompanying notes to this schedule are an integral part of this schedule.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

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. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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

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 Zane Trace Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 7, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2002-10771-001. We also noted other immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 7, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of 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. A reportable condition is described in the accompanying schedule of findings as item 2002-10771-002.

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 7, 2002.

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 7, 2002



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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**

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, 2002. 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, Zane Trace Local School District, Ross County, Ohio 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, 2002.

Internal Control Over Compliance

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

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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

November 7, 2002

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

| | |
|-----------------------|-----------------------|
| Finding Number | 2002-10771-001 |
|-----------------------|-----------------------|

Expenditures Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated.

At September 30, 2001 and December 31, 2001 expenditures exceeded appropriations in the following funds: September 30th – Classroom Facilities Maintenance Fund by \$51,866, December 31st – District Managed Activity Fund by \$23,704 and Rotary Fund by \$2,080.

We recommend the District Treasurer assure funds are lawfully appropriated prior to an expenditure or purchase commitment being made.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2002
(Continued)**

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

Finding Number

2002-10771-002

Student Activities - Accountability

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:

- duplicate receipts were not used to record money received for club dues, activity fees and fund raiser receipts turned in by students to the 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, 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 an 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 expected and actual collections., and
- Advisors should maintain subsidiary records to document the event's financial activity.

3. FINDINGS RELATED AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)**

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|-----------------------|---|-------------------------|---|
| 2001-10771-001 | Finding for Recovery- " due but not collected " fruit sales (cost) was reported. - \$1,708 | No | The Finding for Recovery was not pursued by the Prosecuting Attorney or the District. |
| 2001-10771-002 | Student Activity Internal Control Weaknesses | No | Repeated 2002-10771-002 |



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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
FEBRUARY 13, 2003**