



**UNION SCIOTO LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



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

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**STATE OF OHIO**



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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

We have audited the accompanying general-purpose financial statements of the Union Scioto Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 1999, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Union Scioto Local School District, Ross County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As noted in Note 3 to the financial statements, the District has changed its accounting for the deferred compensation plan.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2000 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.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**JIM PETRO**  
Auditor of State

March 10, 2000



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**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<b><u>Assets and Other Debits:</u></b>									
<b><u>Assets:</u></b>									
Equity in Pooled Cash and Cash Equivalents	\$1,563,962	\$148,554	\$173,423	\$82,438	\$1,166	\$43,165	\$0	\$0	\$2,012,708
Cash and Cash Equivalents									
With Fiscal Agents	0	0	0	0	58,519	0	0	0	58,519
Cash in Segregated Accounts	0	0	0	0	0	255,780	0	0	255,780
Receivables:									
Property Taxes	1,872,585	0	203,132	0	0	0	0	0	2,075,717
Income Taxes	249,884	0	0	0	0	0	0	0	249,884
Accounts	17,732	4,750	0	0	0	0	0	0	22,482
Accrued Interest	15,985	0	0	0	0	37	0	0	16,022
Interfund Receivable	4,596	0	0	0	0	0	0	0	4,596
Prepaid Premiums	0	0	0	0	314,144	0	0	0	314,144
Prepaid Items	2,046	0	0	0	0	0	0	0	2,046
Materials and Supplies Inventory	0	1,173	0	0	0	0	0	0	1,173
Restricted Assets:									
Equity in Pooled Cash and Cash Equivalents	102,388	0	0	0	0	0	0	0	102,388
Fixed Assets	0	0	0	0	0	0	11,338,619	0	11,338,619
<b><u>Other Debits:</u></b>									
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0	0	0	0	188,926	188,926
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	2,794,217	2,794,217
<b>Total Assets and Other Debits</b>	<b>\$3,829,178</b>	<b>\$154,477</b>	<b>\$376,555</b>	<b>\$82,438</b>	<b>\$373,829</b>	<b>\$298,982</b>	<b>\$11,338,619</b>	<b>\$2,983,143</b>	<b>\$19,437,221</b>

(continued)



**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 1998**  
**(CONTINUED)**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets		General Long-Term Obligations
<b><i>Liabilities, Fund Equity and Other Credits:</i></b>									
<b><i>Liabilities:</i></b>									
Accounts Payable	\$49,719	\$23,104	\$0	\$465	\$0	\$1,282	\$0	\$0	\$74,570
Contracts Payable	558	0	0	17,031	0	0	0	0	17,589
Retainage Payable	0	0	0	28,521	0	0	0	0	28,521
Accrued Wages and Benefits	718,461	61,501	0	0	0	0	0	0	779,962
Compensated Absences Payable	9,479	250	0	0	0	0	0	1,441,169	1,450,898
Intergovernmental Payable	148,585	3,279	0	0	0	88	0	91,974	243,926
Interfund Payable	0	4,596	0	0	0	0	0	0	4,596
Deferred Revenue	1,736,494	0	187,629	0	0	0	0	0	1,924,123
Undistributed Monies	0	0	0	0	0	295,872	0	0	295,872
Claims Payable	0	0	0	0	268,217	0	0	0	268,217
Energy Conservation Loan Payable	0	0	0	0	0	0	0	325,000	325,000
General Obligation Bonds Payable	0	0	0	0	0	0	0	1,125,000	1,125,000
<b>Total Liabilities</b>	<b>2,663,296</b>	<b>92,730</b>	<b>187,629</b>	<b>46,017</b>	<b>268,217</b>	<b>297,242</b>	<b>0</b>	<b>2,983,143</b>	<b>6,538,274</b>
<b><i>Fund Equity and Other Credits:</i></b>									
Investment in General Fixed Assets	0	0	0	0	0	0	11,338,619	0	11,338,619
Retained Earnings:									
Unreserved	0	0	0	0	105,612	0	0	0	105,612
Fund Balance:									
Reserved for Encumbrances	51,583	6,537	0	225	0	0	0	0	58,345
Reserved for Inventory	0	1,173	0	0	0	0	0	0	1,173
Reserved for Property Taxes	136,091	0	15,503	0	0	0	0	0	151,594
Reserved for Budget Stabilization	102,388	0	0	0	0	0	0	0	102,388
Unreserved:									
Undesignated	875,820	54,037	173,423	36,196	0	1,740	0	0	1,141,216
<b>Total Fund Equity and Other Credits</b>	<b>1,165,882</b>	<b>61,747</b>	<b>188,926</b>	<b>36,421</b>	<b>105,612</b>	<b>1,740</b>	<b>11,338,619</b>	<b>0</b>	<b>12,898,947</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$3,829,178</b>	<b>\$154,477</b>	<b>\$376,555</b>	<b>\$82,438</b>	<b>\$373,829</b>	<b>\$298,982</b>	<b>\$11,338,619</b>	<b>\$2,983,143</b>	<b>\$19,437,221</b>

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
<b><u>Revenues:</u></b>						
Property and Other Local Taxes	\$1,709,528	\$0	\$284,284	\$0	\$0	\$1,993,812
Income Taxes	679,287	0	0	0	0	679,287
Intergovernmental	6,104,960	809,755	26,301	403,073	0	7,344,089
Interest	102,554	0	0	0	181	102,735
Tuition and Fees	70,406	0	0	0	0	70,406
Rent	20	0	0	0	0	20
Extracurricular Activities	0	176,249	0	0	0	176,249
Gifts and Donations	0	39,856	0	0	1,106	40,962
Customer Services	0	293,355	0	0	0	293,355
Miscellaneous	29,859	4,750	0	0	0	34,609
<b>Total Revenues</b>	<b>8,696,614</b>	<b>1,323,965</b>	<b>310,585</b>	<b>403,073</b>	<b>1,287</b>	<b>10,735,524</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	4,457,738	24,579	0	118,604	0	4,600,921
Special	440,928	453,784	0	0	0	894,712
Vocational	46,625	0	0	0	0	46,625
Support Services:						
Pupils	247,767	0	0	0	0	247,767
Instructional Staff	246,380	49,433	0	508	0	296,321
Board of Education	110,652	0	0	0	50	110,702
Administration	754,095	111,171	0	0	0	865,266
Fiscal	234,598	6,466	5,100	0	0	246,164
Operation and Maintenance of Plant	749,763	0	0	0	0	749,763
Pupil Transportation	557,726	0	0	0	0	557,726
Central	0	2,910	0	0	0	2,910
Operation of Non-Instructional Services	5,368	391,824	0	0	0	397,192
Extracurricular Activities	108,904	105,588	0	0	0	214,492
Capital Outlay	50,817	1,599	0	430,196	0	482,612
Debt Service:						
Principal Retirement	0	0	185,000	0	0	185,000
Interest and Fiscal Charges	0	0	94,208	0	0	94,208
<b>Total Expenditures</b>	<b>8,011,361</b>	<b>1,147,354</b>	<b>284,308</b>	<b>549,308</b>	<b>50</b>	<b>9,992,381</b>
Excess of Revenues Over (Under) Expenditures	685,253	176,611	26,277	(146,235)	1,237	743,143
<b><u>Other Financing Uses:</u></b>						
Operating Transfers Out	(1,608)	0	0	0	0	(1,608)
<b>Total Other Financing Uses</b>	<b>(1,608)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,608)</b>
Excess of Revenues Over (Under) Expenditures and Other Financing Uses	683,645	176,611	26,277	(146,235)	1,237	741,535
Fund Balances (Deficit) at Beginning of Year	482,237	(114,299)	162,649	182,656	503	713,746
Decrease in Reserve for Inventory	0	(565)	0	0	0	(565)
<b>Fund Balances at End of Year</b>	<b>\$1,165,882</b>	<b>\$61,747</b>	<b>\$188,926</b>	<b>\$36,421</b>	<b>\$1,740</b>	<b>\$1,454,716</b>

See accompanying notes to the general purpose financial statements

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property and Other Local Taxes	\$1,680,544	\$1,680,544	\$0	\$0	\$0	\$0
Income Taxes	652,478	652,478	0	0	0	0
Intergovernmental	6,117,590	6,117,590	0	585,997	585,997	0
Interest	72,366	72,366	0	0	0	0
Tuition and Fees	69,333	69,333	0	0	0	0
Rent	20	20	0	0	0	0
Extracurricular Activities	0	0	0	176,422	176,422	0
Gifts and Donations	0	0	0	39,856	39,856	0
Customer Services	0	0	0	293,355	293,355	0
Miscellaneous	20,092	20,092	0	0	0	0
<b>Total Revenues</b>	<b>8,612,423</b>	<b>8,612,423</b>	<b>0</b>	<b>1,095,630</b>	<b>1,095,630</b>	<b>0</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	4,410,952	4,410,952	0	25,177	25,177	0
Special	432,955	432,955	0	437,441	437,441	0
Vocational	15,153	15,153	0	0	0	0
Support Services:						
Pupils	248,143	248,143	0	0	0	0
Instructional Staff	289,388	289,388	0	49,433	49,433	0
Board of Education	119,838	119,838	0	0	0	0
Administration	792,328	792,328	0	111,974	111,974	0
Fiscal	240,308	240,308	0	6,865	6,865	0
Operation and Maintenance of Plant	704,552	704,552	0	0	0	0
Pupil Transportation	583,617	583,617	0	0	0	0
Central	0	0	0	2,910	2,910	0
Operation of Non-Instructional Services						
Services	5,368	5,368	0	402,087	402,087	0
Extracurricular Activities	110,085	110,085	0	104,125	104,125	0
Capital Outlay	50,817	50,817	0	1,599	1,599	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>8,003,504</b>	<b>8,003,504</b>	<b>0</b>	<b>1,141,611</b>	<b>1,141,611</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	608,919	608,919	0	(45,981)	(45,981)	0
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	2,539	2,539	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(1,608)	(1,608)	0	0	0	0
Advances In	0	0	0	4,597	4,597	0
Advances Out	(4,597)	(4,597)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(3,666)</b>	<b>(3,666)</b>	<b>0</b>	<b>4,597</b>	<b>4,597</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	605,253	605,253	0	(41,384)	(41,384)	0
Fund Balances at Beginning of Year	945,222	945,222	0	171,685	171,685	0
Prior Year Encumbrances Appropriated	43,758	43,758	0	12,898	12,898	0
<b>Fund Balances at End of Year</b>	<b>\$1,594,233</b>	<b>\$1,594,233</b>	<b>\$0</b>	<b>\$143,199</b>	<b>\$143,199</b>	<b>\$0</b>

(Continued)

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$285,885	\$285,885	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
26,301	26,301	0	403,073	403,073	0	0	0	0
0	0	0	0	0	0	144	144	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	1,106	1,106	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
312,186	312,186	0	403,073	403,073	0	1,250	1,250	0
0	0	0	118,829	118,829	0			0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0			0
0	0	0	508	508	0	0	0	0
0	0	0	0	0	0	50	50	0
0	0	0	0	0	0	0	0	0
5,100	5,100	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	384,644	384,644	0	0	0	0
185,000	185,000	0	0	0	0	0	0	0
94,208	94,208	0	0	0	0	0	0	0
284,308	284,308	0	503,981	503,981	0	50	50	0
27,878	27,878	0	(100,908)	(100,908)	0	1,200	1,200	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
27,878	27,878	0	(100,908)	(100,908)	0	1,200	1,200	0
145,545	145,545	0	177,615	177,615	0	3,141	3,141	0
0	0	0	5,041	5,041	0	0	0	0
\$173,423	\$173,423	\$0	\$81,748	\$81,748	\$0	\$4,341	\$4,341	\$0

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
INTERNAL SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Self-Insurance</u>
<b><u>Operating Revenues:</u></b>	
Charges for Services	<u>\$407,824</u>
<b><u>Operating Expenses:</u></b>	
Purchased Services	16,190
Claims	<u>609,994</u>
Total Operating Expenses	<u>626,184</u>
Operating Loss	(218,360)
<b><u>Non-Operating Revenues:</u></b>	
Interest	<u>267</u>
Net Loss Before Operating Transfers	(218,093)
Operating Transfers - In	<u>1,608</u>
Net Loss	(216,485)
Retained Earnings at Beginning of Year - Restated (See Note 3)	<u>322,097</u>
Retained Earnings at End of Year	<u><u>\$105,612</u></u>

See accompanying notes to the general purpose financial statements

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)  
INTERNAL SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Self-Insurance Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Revenues:</u></b>			
Charges for Services	\$248,165	\$248,165	\$0
<b><u>Expenses:</u></b>			
Purchased Services	<u>251,628</u>	<u>251,628</u>	<u>0</u>
Excess of Revenues Under Expenses before Operating Transfers	(3,463)	(3,463)	0
Operating Transfers - In	<u>1,608</u>	<u>1,608</u>	<u>0</u>
Excess of Revenues and Transfers Under Expenses	(1,855)	(1,855)	0
Fund Equity at Beginning of Year	1,181	1,181	0
Prior Year Encumbrances Appropriated	<u>1,840</u>	<u>1,840</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$1,166</u></u>	<u><u>\$1,166</u></u>	<u><u>\$0</u></u>

See accompanying notes to the general purpose financial statements

**STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Self-Insurance</u>
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Quasi-External Transactions With Other Funds	\$407,824
Cash Payments to Suppliers for Goods and Services	(16,190)
Cash Payments for Claims	<u>(408,141)</u>
Net Cash Used for Operating Activities	(16,507)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Short-Term Loans to Other Governments	(314,144)
Transfers - In	<u>1,608</u>
Net Cash Used For Noncapital Financing Activities	<u>(312,536)</u>
<b><u>Cash Flows from Investing Activities:</u></b>	
Interest on Investments	<u>267</u>
Net Decrease in Cash and Cash Equivalents	(328,776)
Cash and Cash Equivalents at Beginning of Year	<u>388,461</u>
Cash and Cash Equivalents at End of Year	<u><u>\$59,685</u></u>
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Operating Loss	(218,360)
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>	
<b><u>Changes in Assets and Liabilities:</u></b>	
Increase in Claims Payable	<u>201,853</u>
Net Cash Used for Operating Activities	<u><u>(\$16,507)</u></u>

See accompanying notes to the general purpose financial statements



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

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

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

The School District was established in 1935 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 80 square miles. It is located in Ross County, and includes all of Union and Scioto Townships. It is staffed by 67 non-certificated employees, 107 certificated full-time teaching personnel and 4 administrative employees who provide services to 1944 students and other community members. The School District currently operates four instructional buildings, one administrative building, one maintenance building, and one garage.

**Reporting Entity:**

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

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

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

- 7 Parent Teacher Organizations
- 7 Athletic and Music Booster Organizations
- 7 Ross County Educational Service Center

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Union Scioto Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources. For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**Governmental Fund Types:**

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

**General Fund**

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

**Special Revenue Funds**

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

**Debt Service Fund**

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

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

**Governmental Fund Types: (continued)**

**Capital Projects Funds**

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

**Proprietary Fund Type:**

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

**Internal Service Fund**

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

**Fiduciary Fund Types:**

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

**Account Groups:**

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

**General Fixed Assets Account Group**

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

**General Long-Term Obligations Account Group**

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**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 and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded 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 the governmental funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**C. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Self-Insurance Internal Service Fund has only the dental, vision, and prescription 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 therefore not budgeted. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**Tax Budget**

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

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

**Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. At year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**C. Budgetary Process (continued)**

**Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was legally enacted; however, this amendment was not significant.

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

**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. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

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

During fiscal year 1999, investments were limited to Certificates of Deposit.. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are recorded at cost.

The School District pays employee health insurance premiums to the fiscal agent of a claims servicing pool who pays claims on the School District's behalf. The balance of the School District's funds held by the fiscal agent at June 30, 1999, is presented as "cash and cash equivalents with fiscal agents" on the balance sheet.

The School District is the fiscal agent for the Ross County School Employees Insurance Consortium, a claims servicing pool, consisting of fourteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service Center's behalf. The monies held by the School District on behalf of the Consortium are presented on the combined balance sheet as "cash in segregated accounts" and represents deposits in segregated accounts.

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 1999 amounted to \$102,554 which includes \$42,859 assigned from other School District funds. The expendable trust fund and self-insurance internal service fund received interest of \$181 and \$267, respectively.

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

**E. Inventory**

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**G. Fixed Assets and Depreciation (continued)**

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. Interest incurred during the construction of general fixed assets is also not capitalized.

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

**H. Intergovernmental Revenues**

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

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

**Entitlements**

**General Fund**

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

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Venture Capital
- Professional Development Block Grant
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Textbook Subsidy
- Career Enhancement
- Technology Equity
- Title I
- Title VI
- Title VI-B
- Goals 2000 Intervention

**Capital Projects Fund**

- School Net Plus

**Reimbursable Grants**

**General Fund**

- Driver Education

**Special Revenue Funds**

- National School Lunch Program

Grants and entitlements received in the governmental funds amounted to approximately sixty-six percent of governmental fund revenue during the 1999 fiscal year.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**I. Compensated Absences**

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

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

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

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

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

**K. Interfund Transactions**

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

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

**L. Restricted Assets**

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**M. Fund Balance Reserves**

The School District reserves those for 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 established for encumbrances, inventories of supplies and materials, property taxes, and budget stabilization.

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

**N. Estimates**

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

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

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

**3. CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR YEAR RESTATEMENT**

For fiscal year 1999, the School District implemented *GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"*. This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established such a trust fund and the amounts are no longer reported on the District's balance sheet as of June 30, 1999.

For 1998, the ending balance of the Self-Insurance Internal Service Fund was found to be misstated. This adjustment resulted in the following restatement of beginning Fund Equity balance:

	<u>Amount at 6/30/98</u>	<u>Restated Amount</u>
Internal Service Fund	\$408,431	\$322,097

**4. ACCOUNTABILITY AND COMPLIANCE**

At June 30, 1999, the Food Service, Disadvantaged Pupil Impact Aid, Title VI-B, Title I, and Emergency Building Repair Special Revenue Funds had deficit fund balances of \$21,378, \$203, \$23,186, \$12,239, and \$22,672, respectively. The General Fund provided transfers to cover these deficit balances.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. 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 Over (Under) Expenditures All Governmental Fund Types and Expendable Trust Fund				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund
GAAP Basis	\$683,645	\$176,611	\$26,277	(\$146,235)	\$1,237
Adjustments:					
Revenue Accrual	(81,652)	(228,335)	1,601	0	(37)
Expenditure Accrual	79,974	11,098	0	46,017	0
Advances	(4,597)	4,597	0	0	0
Encumbrances	(72,117)	(5,355)	0	(690)	0
Budget Basis	<u>\$605,253</u>	<u>(\$41,384)</u>	<u>\$27,878</u>	<u>(\$100,908)</u>	<u>\$1,200</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (continued)**

Net Loss/Excess of Revenues Under Expenses Internal Service Fund	
	Self-Insurance Fund
GAAP Basis	(\$216,485)
Adjustments:	
Expense Accruals	201,853
Excess of Revenue	
Under Expenses for	
Non-budgeted Activity	12,777
Budget Basis	(\$1,855)

**6. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$2,000 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The "cash and cash equivalents with fiscal agent" of \$58,519 shown in the internal service fund is maintained with the Ross County School Employees Insurance Consortium. GASB No. 3 disclosure regarding this amount can be obtained from their annual report.

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

**Deposits:** At year end, the carrying amount of the School District's deposits was \$2,054,732 and the bank balance was \$2,483,448. Of the bank balance:

1. \$303,465 was covered by federal depository insurance; and
2. \$2,179,983 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**Investments:** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District has no investments at June 30, 1999.

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

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

	Cash and Cash Equivalents/ Deposits
GASB Statement No. 9	\$2,429,395
Cash on Hand	(2,000)
Cash and Cash Equivalents	
With Fiscal Agent	(372,663)
GASB Statement No.3	\$2,054,732

**7. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**7. PROPERTY TAXES (continued)**

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

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, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$136,091 in the General Fund and \$15,503 in the Debt Service Fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$71,466,950	89.54%	\$86,741,550	90.96%
Personal Property	8,348,470	10.46	8,593,400	9.04
Total Assessed Value	<u>\$79,815,420</u>	<u>100.00%</u>	<u>\$95,069,030</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.00		\$34.1	

**8. INCOME TAX**

The School District levies a voted tax of ½ percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1995, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**9. RECEIVABLES**

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (rent, billings for user charged services, and student fees), and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**10. FIXED ASSETS**

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$284,598	\$14,250	\$0	\$298,848
Buildings and Improvements	6,386,690	16,474	0	6,403,164
Furniture, Fixtures and Equipment	2,098,769	184,964	0	2,283,733
Vehicles	1,500,639	63,420	78,246	1,485,813
Textbooks	510,549	0	0	510,549
Construction in Progress	0	356,512	0	356,512
<b>Totals</b>	<b><u>\$10,781,245</u></b>	<b><u>\$635,620</u></b>	<b><u>\$78,246</u></b>	<b><u>\$11,338,619</u></b>

**11. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

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

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

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**11. RISK MANAGEMENT (continued)**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of the Ross County School Employees Insurance Consortium, a claims servicing pool, consisting of eighteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$268,217 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the administrator and the requirements of GASB Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. No incremental claims adjustments are included in the estimate.

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
1998	\$69,914	\$708,601	\$712,151	\$66,364
1999	66,364	609,994	408,141	268,217

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North 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 School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligation with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$79,996, \$142,230 and \$135,406, respectively; 34 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$52,477 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**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. The 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, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation 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, 1999, 1998, and 1997 were \$263,869, \$487,247, and \$455,298, respectively; 85 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$39,657 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**13. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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 funded 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$351,825 during the 1999 fiscal year.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (continued)**

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$93,818.

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 125 percent of the annual health care expenses. Expenses for health care the June 30, 1998 (the latest information available) were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**14. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. An unlimited amount of sick leave may be accumulated for all personnel. Upon retirement, payment is made for one-half of accrued, but unused sick leave credit to a maximum of 184 days for certified employees and 120 for classified employees.

**B. Life and Accident Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Professional Risk Management.

**C. Deferred Compensation**

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**14. EMPLOYEE BENEFITS (continued)**

**C. Deferred Compensation (continued)**

For fiscal year 1999, the School District implemented *GASB Statement No. 32, "Deferred Compensation Plans"*. This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established such a trust fund and the amounts are no longer reported on the School District's balance sheet as of June 30, 1999.

**15. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999, were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Permanent Improvement				
Bond 1995 5.75%	\$1,265,000	\$0	\$140,000	\$1,125,000
Energy Conservation				
Loan 1995 5.72%	370,000	0	45,000	325,000
Total Long-Term Bonds and Loans	<u>1,635,000</u>	<u>0</u>	<u>185,000</u>	<u>1,450,000</u>
Intergovernmental Payable	80,552	91,974	80,552	91,974
Compensated Absences	1,199,071	242,098	0	1,441,169
Total General Long-Term Obligations	<u><u>\$2,914,623</u></u>	<u><u>\$334,072</u></u>	<u><u>\$265,552</u></u>	<u><u>\$2,983,143</u></u>

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

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

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

The School District's overall legal debt margin was \$7,222,870, the energy conservation debt margin was \$503,612 and the unvoted debt margin was \$92,068 at June 30, 1999. Principal and interest requirements to retire general obligation debt, including loans outstanding at June 30, 1999, are as follows:

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**15. LONG-TERM OBLIGATIONS (continued)**

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$195,000	\$83,165	\$278,165
2001	215,000	71,128	286,128
2002	235,000	57,789	292,789
2003	255,000	42,959	297,959
2004	270,000	27,128	297,128
2005	280,000	10,300	290,300
Totals	<u>\$1,450,000</u>	<u>\$292,469</u>	<u>\$1,742,469</u>

**16. INTERFUND ACTIVITY**

As of June 30, 1999, receivables and payables that resulted from cash deficits were as follows:

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	\$4,597	\$0
Special Revenue Fund:		
Food Service	0	4,597
Total All Funds	<u>\$4,597</u>	<u>\$4,597</u>

**17. JOINTLY GOVERNED ORGANIZATIONS**

**South Central Ohio Computer Association** - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties, two school Treasurers and a representative of the fiscal agent. The School District paid SCOCA \$8,573 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, which serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**Pickaway-Ross County Joint Vocational School** - The Pickaway-Ross County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross County Joint Vocational School, Ben VanHorn, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601. The Pickaway-Ross County Joint Vocational School did not receive any funding from the School District during fiscal year 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**Great Seal Education Network of Tomorrow** - The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members, each of which possess its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601. The Great Seal Education Network of Tomorrow did not receive any funding from the School District during fiscal year 1999.

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

**Ohio School Boards Association Workers' Compensation Group Rating Plan** - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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.

**Ross County School Employees Insurance Consortium** - The School District serves as fiscal agent and member to the Ross County School Employees Insurance Consortium (the "Consortium"), an insurance purchasing pool consisting of fourteen school districts within Ross County and its surrounding area. The Consortium provides medical/surgical, dental, vision, or life insurance through a third party administrator, Professional Risk Management Company, depending on which coverage the individual member district chooses. 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, which serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164.

**19. SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's school foundation program, which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$5,849,887 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**19. SCHOOL FUNDING COURT DECISION (continued)**

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

**20. SET-ASIDE CALCULATIONS**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$40,363
Current Year Set-aside Requirement	124,050	124,050	62,025
Qualifying Disbursements	<u>(192,663)</u>	<u>(251,621)</u>	<u>0</u>
Total	<u>(68,613)</u>	<u>(127,571)</u>	<u>102,388</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$102,388</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**21. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**21. CONTINGENCIES (continued)**

**B. Litigation**

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



**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass-Through Grantor/ Program Grant Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. Department of Agriculture</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution (See Note "B")		10.550	\$ -	\$ 4,985	\$ -	\$ 5,278
Special Milk Program	05-PU 98/99	10.556	2,319	-	2,319	-
National School Lunch Program	04-PU 98/99 03-PU 98/99	10.555	112,361	-	112,361	-
Total U.S. Department of Agriculture			114,680	4,985	114,680	5,278
<b><u>U.S. Department of Education</u></b>						
<i>Passed through Ohio Department of Education</i>						
Title I	C1-S1	84.010	614,548	-	395,021	-
Eisenhower Professional	MS-S1	84.281	8,886	-	8,886	-
Drug Free Federal Subsidy	DR-S1 99	84.186	9,449	-	9,449	-
Title VI		84.151	1,548	-	1,548	-
Goals 2000	G2-S4 98	84.276	3,000	-		-
Title VI	C2-S1 99	84.298	6,442	-	9,387	-
Special Education Cluster:						
Title VI B	6B-SF 98 P	84.027	20,119	-	34,408	-
Handicapped Pre-School	PG-S1 98 P	84.173	4,056	-	4,056	-
Total Special Ed Cluster			24,175		38,464	
Total Department of Education			668,048	-	462,755	-
<b>Total Federal Assistance</b>			<b>\$782,728</b>	<b>\$ 4,985</b>	<b>\$577,435</b>	<b>\$ 5,278</b>

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**  
**JUNE 30, 1999**

- NOTE A -** The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.
- NOTE B-** Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999 the District had no significant food commodities in inventory.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

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

We have audited the financial statements of the Union Scioto Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated March 10, 2000, wherein we noted that the District changed its method of reporting its employee deferred compensation plan. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 10, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involve a matter coming to our attention relating to a significant deficiency in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10771-001.

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 do not believe the reportable condition described above is 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 the management of the District in a separate letter dated March 10, 2000.

This report is intended for the information and use of the 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

March 10, 2000.



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of Union Scioto Local School District ("the District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. 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 District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about 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 District's compliance with those requirements.

In our opinion, District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

**Internal Control Over Compliance**

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

Union Scioto Local School District  
Ross County  
Report on Compliance with Requirements Applicable to Each Major  
Federal Program and Internal Control over Compliance  
In Accordance with OMB Circular A-133  
Page 2

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. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of District in a separate letter dated March 10, 2000.

This report is intended for the information and use of the management, the 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

March 10, 2000.

**SCHEDULE OF FINDINGS**

**JUNE 30, 1999**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>1999-10771-001</b>
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**Monitoring Self-Insurance Activity**

The District is a member of the Ross County School Employees Insurance Consortium (RCSEIC) for health self-insurance purposes. The District pays premiums monthly to the RCSEIC who then pays the third party administrator (TPA) for District claims. The District receives summary reports and a listing of claims payments from the TPA that are utilized to post activity to the District's financial statements. The District receives no reports from the consortium. Appropriate monitoring controls were not in place at the District over the claims payment activity and the summary reports received from the TPA.

**SCHEDULE OF FINDINGS**

**JUNE 30, 1999  
(Continued)**

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

<b>Finding Number</b>	<b>1999-10771-001 (continued)</b>
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**Monitoring Self-Insurance Activity**

Lack of proper monitoring controls allowed erroneous summary reports, presented by the TPA, to be posted to the District's financial statements. Material adjustments have been posted to the accompanying financial statements to correct these errors.

The District should obtain from the RCSEIC a summary report and reconciliation of the District's activity with the RCSEIC. The District should monitor these reports and compare them with the TPA summary reports to insure accuracy prior to posting activity to the financial statements. The District should also review listings of claims the TPA has approved to ensure that only eligible beneficiary claims were being paid.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**UNION SCIOTO LOCAL SCHOOL DISTRICT**

**ROSS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 18, 2000**