

SOUTHERN COLUMBIA SCHOOL DISTRICT
Catawissa, Pennsylvania
A.U.N. No. 1-16-19-750-3
Financial Statements
For the Year Ended June 30, 2002

SOUTHERN COLUMBIA SCHOOL DISTRICT
June 30, 2002

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Southern Columbia School District
Catawissa, PA

We have audited the accompanying general purpose financial statements of the Southern Columbia School District as of and for the year ended June 30, 2002 as listed in the table of contents. These general purpose financial statements are the responsibility of the Southern Columbia School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

As described in Note 1, the Southern Columbia School District's proprietary fund records the fixed assets purchased in the General Fixed Asset Account Group. Therefore, the proprietary fund has not recorded any depreciation expense. Generally accepted accounting principles state that fixed assets purchased by the proprietary fund should be shown as assets of that fund and depreciated over their estimated useful lives. The effects of these departures from generally accepted accounting principles are not known.

In our opinion, except for the effects on the financial statements of recording fixed assets as described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southern Columbia School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2002, on our consideration of Southern Columbia School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

CLARK, SCHAEFFER, JONES & EICHNER, L.L.P.
Certified Public Accountants
October 3, 2002

SOUTHERN COLUMBIA SCHOOL DISTRICT
 Combined Balance Sheet - All Fund Types and Account Groups
 June 30, 2002

	GOVERNMENTAL FUND TYPES			
	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund
Assets:				
Cash and Cash Equivalents	\$ 362,300	\$ 14,406	\$325	\$ -0-
Investments	2,576,024	705,176	-0-	420
Taxes Receivable	252,334	-0-	-0-	-0-
Interfund Receivable	1,562	104,180	-0-	-0-
Due from Other Governments	144,051	-0-	-0-	-0-
Inventory	7,000	-0-	-0-	-0-
Amount Available in Debt Service Fund	-0-	-0-	-0-	-0-
Amount to be Provided for Retirement of Long-Term Debt	-0-	-0-	-0-	-0-
Amount to be Provided for Compensated Absences	-0-	-0-	-0-	-0-
Land and Site Improvements	-0-	-0-	-0-	-0-
Buildings and Building Improvements	-0-	-0-	-0-	-0-
Machinery and Equipment	-0-	-0-	-0-	-0-
Total Assets	<u>\$3,343,271</u>	<u>\$823,762</u>	<u>\$325</u>	<u>\$420</u>
Liabilities:				
Accounts Payable	\$ 120,227	\$ -0-	\$ -0-	\$ -0-
Accrued Salaries, Benefits and Payroll Taxes	782,455	1,363	-0-	-0-
Interfund Payables	115,659	1,347	-0-	-0-
Other Current Liabilities	-0-	-0-	-0-	-0-
Deferred Revenues	194,317	2,700	-0-	-0-
Long-Term Portion of Compensated Absences	-0-	-0-	-0-	-0-
Bonds Payable	-0-	-0-	-0-	-0-
Total Liabilities	<u>1,212,658</u>	<u>5,410</u>	<u>-0-</u>	<u>-0-</u>
Fund Equity:				
Investment in General Fixed Assets	-0-	-0-	-0-	-0-
Standard Fund Balance Reserve	7,000	-0-	-0-	-0-
Unreserved Retained Earnings	-0-	-0-	-0-	-0-
Specific Fund Balance Reserve	-0-	818,352	325	-0-
Unreserved Fund Balance-Designated	-0-	-0-	-0-	420
Unreserved Fund Balance-Undesignated	<u>2,123,613</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Fund Equity	<u>2,130,613</u>	<u>818,352</u>	<u>325</u>	<u>420</u>
Total Liabilities and Fund Equity	<u>\$3,343,271</u>	<u>\$823,762</u>	<u>\$325</u>	<u>\$420</u>

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTALS (Memo Only)
		Enterprise Fund	Trust and Agency Funds	
\$ 88,850	\$43,975	\$ -0-	\$ -0-	\$ 509,856
-0-	41,849	-0-	-0-	3,323,469
-0-	-0-	-0-	-0-	252,334
11,479	-0-	-0-	-0-	117,221
792	-0-	-0-	-0-	144,843
7,162	-0-	-0-	-0-	14,162
-0-	-0-	-0-	420	420
-0-	-0-	-0-	7,099,580	7,099,580
-0-	-0-	-0-	609,679	609,679
-0-	-0-	49,036	-0-	49,036
-0-	-0-	8,384,229	-0-	8,384,229
<u>-0-</u>	<u>-0-</u>	<u>18,330,520</u>	<u>-0-</u>	<u>18,330,520</u>
<u>\$108,283</u>	<u>\$85,824</u>	<u>\$26,763,785</u>	<u>\$7,709,679</u>	<u>\$38,835,349</u>
\$ 3,687	\$ -0-	\$ -0-	\$ -0-	\$ 123,914
7,177	-0-	-0-	-0-	790,995
215	-0-	-0-	-0-	117,221
-0-	53,975	-0-	-0-	53,975
4,087	-0-	-0-	-0-	201,104
-0-	-0-	-0-	609,679	609,679
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>7,100,000</u>	<u>7,100,000</u>
<u>15,166</u>	<u>53,975</u>	<u>-0-</u>	<u>7,709,679</u>	<u>8,996,888</u>
-0-	-0-	26,763,785	-0-	26,763,785
-0-	-0-	-0-	-0-	7,000
93,117	-0-	-0-	-0-	93,117
-0-	31,849	-0-	-0-	850,526
-0-	-0-	-0-	-0-	420
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,123,613</u>
<u>93,117</u>	<u>31,849</u>	<u>26,763,785</u>	<u>-0-</u>	<u>29,838,461</u>
<u>\$108,283</u>	<u>\$85,824</u>	<u>\$26,763,785</u>	<u>\$7,709,679</u>	<u>\$38,835,349</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances - All Governmental Fund Types
 and Nonexpendable Trust Fund
 For the Year Ended June 30, 2002

	GOVERNMENTAL	
	General Fund	Special Revenue Fund
REVENUES AND OTHER FINANCING SOURCES		
REVENUES		
Local Sources	\$ 6,182,685	\$ 68,034
State Sources	5,080,203	119,506
Federal Sources	441,295	-0-
Total Revenues	<u>11,704,183</u>	<u>187,540</u>
OTHER FINANCING SOURCES		
Sale/Compensation for Fixed Assets	835	-0-
Interfund Transfers In	<u>-0-</u>	<u>365,000</u>
Total Revenues and Other Financing Sources	<u>11,705,018</u>	<u>552,540</u>
EXPENDITURES AND OTHER FINANCING USES		
EXPENDITURES		
Instruction	7,182,901	-0-
Support Services	3,488,003	125,058
Operation of Non-instruction Services	79,749	324,320
Capital Outlay	-0-	467,884
Debt Service	<u>835,759</u>	<u>-0-</u>
Total Expenditures	<u>11,586,412</u>	<u>917,262</u>
OTHER FINANCING USES		
Interfund Transfers Out	<u>365,000</u>	<u>-0-</u>
Total Expenditures and Other Financing Uses	<u>11,951,412</u>	<u>917,262</u>
Revenues and Other Financing Sources Over (Under) Expenditures	(246,394)	(364,722)
FUND BALANCES - JULY 1, 2001	<u>2,377,007</u>	<u>1,183,074</u>
FUND BALANCES - JUNE 30, 2002	<u>\$ 2,130,613</u>	<u>\$ 818,352</u>

The accompanying notes are an integral part of these financial statements.

<u>FUND TYPES</u>		
<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Totals (Memo Only)</u>
\$ 1,069	\$ 44	\$ 6,251,832
-0-	-0-	5,199,709
-0-	-0-	441,295
<u>1,069</u>	<u>44</u>	<u>11,892,836</u>
-0-	-0-	835
-0-	-0-	365,000
<u>1,069</u>	<u>44</u>	<u>12,258,671</u>
-0-	-0-	7,182,901
-0-	-0-	3,613,061
-0-	-0-	404,069
5,937	-0-	473,821
-0-	2,544	838,303
<u>5,937</u>	<u>2,544</u>	<u>12,512,155</u>
-0-	-0-	365,000
<u>5,937</u>	<u>2,544</u>	<u>12,877,155</u>
(4,868)	(2,500)	(618,484)
<u>5,193</u>	<u>2,920</u>	<u>3,568,194</u>
\$ <u>325</u>	\$ <u>420</u>	\$ <u>2,949,710</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual - General Fund,
 Special Revenue Fund and Capital Projects Fund
 For the Year Ended June 30, 2002

	GENERAL FUND		
		Variance	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES AND OTHER FINANCING SOURCES			
REVENUES			
Local Sources	\$ 6,078,040	\$ 6,182,685	\$ 104,645
State Sources	5,066,893	5,080,203	13,310
Federal Sources	<u>666,609</u>	<u>441,295</u>	<u>(225,314)</u>
Total Revenues	<u>11,811,542</u>	<u>11,704,183</u>	<u>(107,359)</u>
OTHER FINANCING SOURCES			
Sale/Compensation for Fixed Assets	-0-	835	835
Interfund Transfers In	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues and Other Financing Sources	<u>11,811,542</u>	<u>11,705,018</u>	<u>(106,524)</u>
EXPENDITURES AND OTHER FINANCING USES			
EXPENDITURES			
INSTRUCTION			
Regular Programs - Elementary/ Secondary	4,976,544	4,946,459	30,085
Special Programs - Elementary/ Secondary	1,344,695	1,436,080	(91,385)
Vocational Education Program	431,169	431,169	-0-
Other Instruction Programs - Elementary/Secondary	<u>598,467</u>	<u>369,193</u>	<u>229,274</u>
Total Instruction	<u>7,350,875</u>	<u>7,182,901</u>	<u>167,974</u>
SUPPORT SERVICES			
Pupil Personnel	442,679	425,847	16,832
Instructional Staff	425,316	339,920	85,396
Administration	748,905	691,362	57,543
Pupil Health	114,775	113,284	1,491
Business	178,908	159,701	19,207
Operation and Maintenance of Plant Services	943,770	955,353	(11,583)
Student Transportation Services	<u>720,393</u>	<u>802,536</u>	<u>(82,143)</u>
Total Support Services	<u>3,574,746</u>	<u>3,488,003</u>	<u>86,743</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL REVENUE FUND

<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
(The School District does not formally adopt a budget for the Special Revenue Fund)		
	\$ 68,034	
	119,506	
	<u>-0-</u>	
	<u>187,540</u>	
	-0-	
	<u>365,000</u>	
	<u>552,540</u>	
	-0-	
	-0-	
	-0-	
	<u>-0-</u>	
	<u>-0-</u>	
	-0-	
	-0-	
	-0-	
	-0-	
	-0-	
	-0-	
	<u>-0-</u>	
	<u>125,058</u>	
	<u>125,058</u>	

CAPITAL PROJECTS FUND

<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
(The School District does not formally adopt a budget for the Capital Projects Fund)		
	\$1,069	
	-0-	
	<u>-0-</u>	
	<u>1,069</u>	
	-0-	
	<u>-0-</u>	
	<u>1,069</u>	
	-0-	
	-0-	
	-0-	
	<u>-0-</u>	
	<u>-0-</u>	
	-0-	
	-0-	
	-0-	
	-0-	
	-0-	
	-0-	
	<u>-0-</u>	
	<u>-0-</u>	
	<u>-0-</u>	

SOUTHERN COLUMBIA SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual - General Fund,
 Special Revenue Fund and Capital Projects Fund - continued
 For the Year Ended June 30, 2002

	GENERAL		FUND
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATION OF NONINSTRUCTIONAL SERVICES			
Student Activities	\$ 37,224	\$ 31,436	\$ 5,788
Community Services	<u>50,001</u>	<u>48,313</u>	<u>1,688</u>
Total Operation of Noninstructional Services	<u>87,225</u>	<u>79,749</u>	<u>7,476</u>
FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
OTHER FINANCING USES			
Interfund Transfers Out	381,585	365,000	16,585
Debt Service	845,038	835,759	9,279
Budgetary Reserve	<u>38,101</u>	<u>-0-</u>	<u>38,101</u>
Total Other Financing Uses	<u>1,264,724</u>	<u>1,200,759</u>	<u>63,965</u>
Total Expenditures and Other Financing Uses	<u>12,277,570</u>	<u>11,951,412</u>	<u>326,158</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(466,028)	(246,394)	219,634
FUND BALANCES - JULY 1, 2001	<u>2,377,007</u>	<u>2,377,007</u>	<u>-0-</u>
FUND BALANCES - JUNE 30, 2002	<u>\$ 1,910,979</u>	<u>\$ 2,130,613</u>	<u>\$219,634</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL REVENUE FUND

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
(The School District does not formally adopt a budget for the Special Revenue Fund)		
	\$ 324,320	
	<u>-0-</u>	
	<u>324,320</u>	<u>-0-</u>
	<u>467,884</u>	
	-0-	
	-0-	
	<u>-0-</u>	
	<u>-0-</u>	
	<u>917,262</u>	
(364,722)		
<u>1,183,074</u>		
\$ <u>818,352</u>		

CAPITAL PROJECTS FUND

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
(The School District does not formally adopt a budget for the Capital Projects Fund)		
	\$ -0-	
	<u>-0-</u>	
	<u>5,937</u>	
	-0-	
	-0-	
	<u>-0-</u>	
	<u>-0-</u>	
	<u>5,937</u>	
(4,868)		
<u>5,193</u>		
\$ <u>325</u>		

SOUTHERN COLUMBIA SCHOOL DISTRICT
 Combined Statement of Revenues, Expenses
 and Changes in Retained Earnings/Fund Balance
 Proprietary Fund Type and Trust Fund
 For the Year Ended June 30, 2002

	<u>Proprietary Fund Enterprise Fund</u>	<u>Fiduciary Fund Nonexpendable Trust Fund</u>	<u>Totals (Memo Only)</u>
OPERATING REVENUES			
Food Service Revenue	\$ 291,539	\$ -0-	\$ 291,539
Contributions	<u>-0-</u>	<u>3,336</u>	<u>3,336</u>
Total Operating Revenues	<u>291,539</u>	<u>3,336</u>	<u>294,875</u>
OPERATING EXPENSES			
Personal Services - Salaries	167,207	-0-	167,207
Personal Services - Employee Benefits	40,319	-0-	40,319
Purchased Property Services	12,388	-0-	12,388
Other Purchased Services	1,922	-0-	1,922
Food and Supplies	226,935	-0-	226,935
Other	<u>1,968</u>	<u>3,903</u>	<u>5,871</u>
Total Operating Expenses	<u>450,739</u>	<u>3,903</u>	<u>454,642</u>
Operating Income (Loss)	<u>(159,200)</u>	<u>(567)</u>	<u>(159,767)</u>
NONOPERATING REVENUES			
Earnings on Investments	1,968	1,250	3,218
State Sources	25,540	-0-	25,540
Federal Sources	<u>113,108</u>	<u>-0-</u>	<u>113,108</u>
Total Nonoperating Revenues	<u>140,616</u>	<u>1,250</u>	<u>141,866</u>
Net Income (Loss)	<u>(18,584)</u>	<u>683</u>	<u>(17,901)</u>
RETAINED EARNINGS/FUND			
BALANCE - July 1, 2001	<u>111,701</u>	<u>31,166</u>	<u>142,867</u>
RETAINED EARNINGS/FUND			
BALANCE - June 30, 2002	\$ <u>93,117</u>	\$ <u>31,849</u>	\$ <u>124,966</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN COLUMBIA SCHOOL DISTRICT
 Combined Statement of Cash Flows
 Proprietary Fund Type and Trust Fund
 For the Year Ended June 30, 2002

	<u>Proprietary Fund</u> <u>Enterprise Fund</u>	<u>Fiduciary Fund</u> <u>Nonexpendable</u> <u>Trust Fund</u>	<u>Totals</u> <u>(Memo Only)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$(<u>159,200</u>)	\$(<u>567</u>)	\$(<u>159,767</u>)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Value of Donated Commodities Used	26,396	-0-	26,396
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	345	-0-	345
Decrease in Interfund Receivable	7,401	1,433	8,834
Decrease in Inventories	404	-0-	404
Increase in Deferred Revenue	1,985	-0-	1,985
Increase in Accounts Payable	3,687	-0-	3,687
Increase (Decrease) in Interfund Payable	215	(200)	15
Decrease in Accrued Salaries, Benefits and Payroll Taxes	(<u>1,925</u>)	<u>-0-</u>	(<u>1,925</u>)
Total Adjustments	<u>38,508</u>	<u>1,233</u>	<u>39,741</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(120,692)</u>	<u>666</u>	<u>(120,026)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Grants and Subsidies Received for Nonoperating Activities:			
State	25,540	-0-	25,540
Federal	<u>86,712</u>	<u>-0-</u>	<u>86,712</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>112,252</u>	<u>-0-</u>	<u>112,252</u>

... continued ...

SOUTHERN COLUMBIA SCHOOL DISTRICT
 Combined Statement of Cash Flows - continued
 Proprietary Fund Type and Trust Fund
 For the Year Ended June 30, 2002

	<u>Proprietary Fund Enterprise Fund</u>	<u>Fiduciary Fund Nonexpendable Trust Fund</u>	<u>Totals (Memo Only)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	-0-	(12,494)	(12,494)
Earnings on Investments	<u>1,968</u>	<u>1,250</u>	<u>3,218</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,968</u>	<u>(11,244)</u>	<u>(9,276)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,472)	(10,578)	(17,050)
CASH AND CASH EQUIVALENTS-July 1, 2001	<u>95,322</u>	<u>10,578</u>	<u>105,900</u>
CASH AND CASH EQUIVALENTS-June 30, 2002	\$ <u>88,850</u>	\$ <u>-0-</u>	\$ <u>88,850</u>

Summary of Noncash Transactions -

The School District received government foodstuff commodities valued at \$26,396 through the U.S. Department of Agriculture during the year ended June 30, 2002.

The accompanying notes are an integral part of these financial statements.

SOUTHERN COLUMBIA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 1 - Summary of Significant Accounting Policies

The Southern Columbia School District provides public education to residents of seven townships and boroughs within Columbia and Northumberland Counties, Pennsylvania from its campus and buildings located between Catawissa and Elysburg, Pennsylvania.

The accounting policies of the School District conform to generally accepted accounting principles except that the fixed assets purchased by the proprietary fund are included in the General Fixed Asset Account Group and therefore these proprietary fund assets have not been depreciated. These accounting policies are not in compliance with generally accepted accounting principles.

A. Principles Determining Scope of Reporting Entity

The Southern Columbia School District Board of Education ("Board") is the basic level of government which has oversight responsibility and control over all activities related to the public school education in the Southern Columbia School District. The Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

The School District participates in the Columbia Montour Area Vocational Technical School (CMAVTS) which is governed by a joint operating committee. The committee is composed of fourteen members; two appointed annually from each of the seven member school districts. The CMAVTS provides vocational and technical education for students of the seven member school districts. Each member school district pays tuition to the CMAVTS based upon its relative enrollment percentage at the school. The member school districts approve the budget of the CMAVTS.

This joint venture does not meet the criteria for inclusion within the reporting entity because the CMAVTS is separately chartered from the school districts it serves, its joint operating committee controls the employment of personnel, its joint operating committee has the power to approve all operating expenditures of the CMAVTS, and the CMAVTS is maintained as a separate operating unit.

For the year ended June 30, 2002, the member school districts and the percentage of tuition received from each member school district were as follows:

Berwick	26.637%
Benton	6.866%
Bloomsburg	14.095%
Central Columbia	17.022%
Danville	19.563%
Southern Columbia	9.617%
Millville	<u>6.200%</u>
	<u>100.000%</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 1 - Summary of Significant Accounting Policies - continued

A. Principles Determining Scope of Reporting Entity - continued

The District's share of the joint venture net of the general fixed assets allocated to the School District, (See Note 7), is not determinable. The most recent CMAVTS financial information for the year ended June 30, 2002 is available at the CMAVTS business office. A summary of this information is presented below:

Assets	<u>\$1,500,434</u>
Liabilities	\$ 679,301
Fund Equity	<u>821,133</u>
Total Liabilities and Fund Equity	<u>\$1,500,434</u>
Revenues	\$5,388,116
Expenditures	<u>5,333,703</u>
Excess of Revenues Over Expenditures	<u>\$ 54,413</u>

The CMAVTS has long-term debt outstanding at June 30, 2002 of \$155,755.

The District made tuition payments to CMAVTS of \$431,169 for the year ended June 30, 2002.

B. Fund Accounting

The accounts of the School District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into generic fund types and broad fund categories as shown below.

a. Governmental Funds

General Fund - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Normal debt service payments for general long-term debt are recorded in the General Fund by the School District. The School District's payroll account is included in the General Fund.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Capital Reserve Fund and the Athletic Fund of the School District are accounted for as Special Revenue Funds.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 1 - Summary of Significant Accounting Policies - continued

B. Fund Accounting - continued

a. Governmental Funds - continued

Debt Service Fund - The Debt Service Fund is used to account for the general long-term debt. Normal debt service payments for general long-term debt are recorded in the General Fund by the School District.

Capital Projects Fund - The Capital Projects Fund is used to account for the receipt and disbursements of monies for the acquisition or construction of major capital facilities.

b. Proprietary Fund

Enterprise Fund - An Enterprise Fund is used to account for operations (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Food Service Fund, used to account for the operations of the School District's cafeterias, is reported as an Enterprise Fund.

c. Fiduciary Funds

Agency Fund - The Agency Fund is used to account for assets held by the School District as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's Student Activity Funds are reported as Agency Funds.

Nonexpendable Trust Fund - The Trust Fund is used to account for assets donated to the School District to support scholarships with the revenue earned off the assets.

d. Account Groups

General Fixed Assets Account Group - This account group is used to report all general fixed assets of the School District. It is concerned only with the measurement of financial position and does not involve measurement of results of operations.

General Long-Term Debt Account Group - This account group is used for all general long-term debt obligations of the School District except any which are accounted for in the Proprietary Fund. It is concerned only with the measurement of financial position and does not involve measurement of results of operations.

C. Basis of Accounting

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, regardless of the measurement focus applied.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 1 - Summary of Significant Accounting Policies - continued

C. Basis of Accounting - continued

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when received except for (a) those accruable revenues, recorded as receivables when they are measurable and available, (b) property taxes and other levied taxes which are recognized when they become available, including tax receivables collected within sixty days after year-end and (c) federal revenues, generally recognized in the same year the related expenditures occur. The School District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet the criteria for recognition in the current period. Deferred revenues also arise when resources are received by the School District before it has a legal claim to them, such as grant monies received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures are generally recognized when the related fund liability is incurred under the modified accrual basis of accounting. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when paid and other post-employment benefits, to the extent that they exist, which are also recognized when paid.

The proprietary fund utilizes the accrual basis of accounting. All revenues are recognized as they are earned, and expenses are recognized as they are incurred.

The two account groups, general fixed assets and general long-term debt, are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

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

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

D. Budgets

Budgets are prepared on a basis consistent with the School District's accounting policies. An annual budget prepared by function and object is formally adopted for the General Fund. The School District does not formally adopt a budget for the Special Revenue or Capital Project Funds.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 1 - Summary of Significant Accounting Policies - continued

D. Budgets - continued

All budgets are approved by the School District's Board of Directors. Board approval must be obtained for any revision which alters the amount budgeted for any fund or program. Several budget revisions requiring and not requiring board approval were made during the year ended June 30, 2002. The final authorized budgets are presented in these financial statements. Encumbrances are considered in the budgetary process in the School District's funds but lapse and are ordinarily cancelled at the end of the School District's fiscal year.

The original budgeted revenues were increased to account for the additional federal and state funds received during the 2001-2002 school year. The corresponding expense accounts were proportionally increased to cover the associated expenses related to these funds received.

E. Cash and Investments

Cash includes amounts in demand deposits. All investments are in certificates of deposit, money market accounts, government securities and liquid asset funds and are stated at cost which approximates market value. This is in accordance with Section 440.1 of the School Code.

F. Taxes Receivable and Deferred Revenue

Taxes receivable consist of delinquent per capita, occupation and real estate taxes due at June 30, 2002, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

Deferred revenue consists of the amount of taxes receivable at June 30, 2002 less the amount actually collected and remitted to the School District in July and August, 2002.

G. Interfund Receivables/Payables

During the course of operations, transactions sometimes occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as "Interfund Receivables" or "Interfund Payables" on the balance sheet.

H. Inventories

Inventory in the Proprietary Fund consists of federal donated commodities, valued at estimated fair market value using USDA values, and other cafeteria supplies and foodstuffs valued at cost. The inventory is taken into account in the determination of the results of operations and is not offset by a reserve in the equity section. The estimated USDA determined fair market value of donated commodities used during the year is included in nonoperating revenues and an offsetting amount is included in operating expenses.

Inventory in the General Fund consists of estimated expendable supplies held for consumption. An offsetting reservation of the fund balance for the estimated value of this inventory is reported in the General Fund's equity section.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 1 - Summary of Significant Accounting Policies - continued

I. Fixed Assets

Fixed assets are recorded as expenditures in the governmental funds when purchased. No depreciation has been recorded for the general fixed assets.

The amount shown in the General Fixed Asset Account Group is based on historical costs.

A portion of the fixed assets of the Columbia Montour Area Vocational Technical School (CMAVTS) has been allocated to, and included in, the general fixed asset account group of the School District. The total allocation, \$901,421, is pro-rata based upon the relative percentage of students at CMAVTS from the Southern Columbia School District during the year ended June 30, 2002.

The Proprietary Fund has not capitalized the cost of the fixed assets purchased by, or for, that fund. Additionally, the value of the fixed assets purchased by the Proprietary Fund is shown in the General Fixed Asset Account Group. Therefore, the value of these assets is not shown in the Proprietary Fund and, accordingly, no depreciation expense for these assets has been recorded. This is not in accordance with generally accepted accounting principles which state that the Proprietary Fund should record the cost of capital improvements purchased as fixed assets on its balance sheet and depreciate them over their estimated useful lives. The effects on the financial statements as a result of this departure from generally accepted accounting principles is not known.

J. Other Post-Employment Benefits

Substantially all employees of the School District are covered under one of two currently applicable labor agreements. In addition to the pension benefits described in Note 10, the following post-employment benefits are mandated by these labor agreements.

Instructional employees who have served at least twenty years in the Southern Columbia School District, and who are eligible for normal retirement, the "window" or disability retirement from the field of public education under the PSERS will be granted a retirement severance at the time of retirement based on \$100 multiplied by the number of full years the employee has taught in Pennsylvania and \$40 multiplied by the total number of unused sick days accumulated by the employee. The maximum paid for unused sick leave shall be \$4,000. Any instructional employees who meet the above requirements and have thirty years of experience in the Southern Columbia School District will be entitled to double the above amounts.

Noninstructional employees who have served in the Southern Columbia School District, will be granted a retirement severance at the time of retirement equal to the sum of \$12 per day for each day of accumulated sick days up to 150 days.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 1 - Summary of Significant Accounting Policies - continued

K. Long-Term Obligations

All long-term obligations are reported in the General Long-Term Debt Account Group. The General Fund transfers amounts to the bond trustee to fund the normal debt service payments.

The proceeds of any bond issuances that may occur are reported net of any applicable discount or premium.

L. Fund Equity

The School District records reserves for a portion of the fund balance segregated for a specific future use. A specific fund balance reserve represents the segregation of assets equal to the amount of the reserve. They are earmarked for a special purpose and are, therefore, not available for other general expenditures of that fund.

The following represent specific fund balance reserves at June 30, 2002 -

\$ 13,176	Athletic Fund - future athletic expenditures.
\$805,176	Capital Reserve Fund - future repairs and renovations.
\$ 325	Capital Project Fund - future construction costs.
\$ 31,849	Nonexpendable Trust Fund - future scholarship expenditures.

M. Levied, Earned Income and Realty Transfer Taxes

Revenues from current tax receipts are recognized as they are collected and remitted to the School District. Revenues from delinquent tax receipts are likewise recognized as they are collected and remitted to the School District. Additionally, an accrual is made for delinquent taxes less an allowance for uncollectible delinquencies at June 30 of each year. (See Notes 3 and 6.)

Property taxes are levied on July 1 on property values assessed as of June 30. Per capita and occupation taxes are also levied on July 1 for assessments valued as of June 30. The billings are considered due immediately, however, the taxpayers may pay as follows: discount period - July 1 to August 31; face period - September 1 to October 31; and penalty period - November 1 to December 31, after which the bill becomes delinquent.

N. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memo Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been recorded in the aggregation of this data.

SOUTHERN COLUMBIA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2002

Note 1 - Summary of Significant Accounting Policies - continued

O. Federal Subsidies

During the year ended June 30, 2002 the School District received \$554,403 of federal subsidies. These subsidies were used to provide specialized reading instruction, purchase equipment and provide both monetary and foodstuffs support to the School District's cafeterias.

P. Definition of Cash and Cash Equivalents

For the purpose of the statement of cash flows, the term cash and cash equivalents includes cash in bank and short-term, highly liquid investments with a maturity of ninety days or less at the date of purchase.

Q. Compensated Absences

Administrative and instructional employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Sick leave accrues to Administrative, Instructional and Noninstructional employees to specified maximums.

The liability for Compensated Absences is recorded in the General Long-Term Debt Account group.

Note 2 - Legal Compliance Budgets

All principals at each educational level of the School District submit requests for appropriation to the superintendent and business manager. A tentative budget is prepared. It includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the School Board for review. The School Board holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget.

Tentative adoption of the budget must be made 30 days prior to final adoption to allow for public review. Final adoption of the budget must occur on or before June 30. Budget transfers may be made within object codes at any time during the fiscal year by the superintendent or the business manager. Transfers among functions may be made only with Board approval. Additions to the budget from unexpected revenue and the offsetting expenses may be made with a resolution by the Board.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 3 - Receivables

Taxes receivable at June 30, 2002, consist of the following:

	<u>General Fund</u>
Real Estate	\$ 169,521
Per Capita	5,684
Occupation	<u>127,129</u>
Sub-total	302,334
Less: Allowance for Uncollectible Taxes	(50,000)
Net Taxes Receivable	<u>\$ 252,334</u>

Due from other governments at June 30, 2002 consist of the following:

	<u>General Fund</u>
Federal Subsidies	\$ 29,104
State Subsidies	44,004
Local Subsidies	<u>70,943</u>
Total Intergovernmental Receivables	<u>\$144,051</u>

Note 4 - Deposits and Investments

The School District's cash deposits and investments are restricted by statute to United States Treasury bills, short-term obligations of the United States Government and certain obligations of the United States, Commonwealth of Pennsylvania or its political subdivisions which are backed by the full faith and credit of those governmental entities. Additionally, the School District may invest in shares of a properly registered investment fund whose investments consist of the securities listed above. Deposits in banks and other financial institutions must be insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund. Deposits in excess of the maximum insurable amounts must be collateralized by securities held by that institution, in accordance with the provisions of law. Pool pledging in accordance with P.L. 281, No. 72, ("Act 72"), is permissible.

Risk Categories

All deposits are at banks and are carried at cost. There are three categories of credit risk that may apply to the School District's deposits.

1. Insured or collateralized with securities held by the School District or by its agent in the School District's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.
3. Uncollateralized.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 4 - Deposits and Investments - continued

Risk Categories - continued

Balances held in each category are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$100,000	\$100,000
Uninsured: Collateral held by Federal Reserve Bank in School District's name	409,856	532,683
Uncollateralized	<u>-0-</u>	<u>-0-</u>
Total Cash and Certificates of Deposit	<u>\$509,856</u>	<u>\$632,683</u>

The amounts listed as uncollateralized have been secured by pool pledging in accordance with Act 72.

The School District has investments in a money market account and certificates of deposit with a local bank, as well as, certificates of deposits, government securities and liquid asset funds, purchased through PSDLAF, Invest and banks.

All investments are stated at cost which approximate market value. There are three categories of credit risk that may apply to the School District's investments.

1. Insured or registered, or securities held by the School District or its agent in the School District's name.
2. Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the School District's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by the counterparty's trust department or agent, but not in the School District's name.

Balances held in each investment category are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Credit Risk Category</u>
Investments in pools managed by other governments	\$3,281,200	\$3,281,320	N/A
Certificates of deposits/money markets	<u>42,269</u>	<u>42,769</u>	1
Total Investments	<u>\$3,323,469</u>	<u>\$3,324,089</u>	

Pooled investments are invested in accordance with Title 24 of the Pennsylvania Statutes Article 4, Section 440.1 (2001). Each school district or government agency owns shares of the Fund, which invests the pooled assets. Since the Fund has the characteristics of a mutual fund, it would not be reported by risk category in accordance with Government Accounting Standards Board Statement No. 3.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 5 - Accrued Salaries, Benefits and Payroll Taxes

Accrued salaries, benefits and payroll taxes at June 30, 2002 consist of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Accrued Salaries	\$641,737	\$6,596	\$1,253	\$649,586
Retirement and Employees Insurance Payable	72,974	76	14	73,064
Accrued and Withheld Payroll Taxes	<u>67,744</u>	<u>505</u>	<u>96</u>	<u>68,345</u>
Total	<u>\$782,455</u>	<u>\$7,177</u>	<u>\$1,363</u>	<u>\$790,995</u>

Note 6 - Deferred Revenue

Deferred revenue at June 30, 2002 consists of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Net Taxes Receivable (Note 3)	\$252,334	\$ -0-	\$ -0-	\$252,334
Less: Delinquent taxes collected within sixty days of June 30, 2002	<u>63,830</u>	<u>-0-</u>	<u>-0-</u>	<u>63,830</u>
	188,504	-0-	-0-	188,504
Federal and state funds to be expended in the 2002-03 school year	5,813	-0-	-0-	5,813
Football season ticket sales for the 2002 football season	-0-	-0-	2,700	2,700
Cafeteria sales for the 2002-03 school year	<u>-0-</u>	<u>4,087</u>	<u>-0-</u>	<u>4,087</u>
Deferred Revenue	<u>\$194,317</u>	<u>\$4,087</u>	<u>\$2,700</u>	<u>\$201,104</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 7 - General Fixed Assets

The School District had the following general fixed asset activity for the year ended June 30, 2002:

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment</u>	<u>Total</u>
Beginning Balance (Appraised Value)	\$ 26,054	\$ 24,977,634	\$ 4,122,366	\$ 29,126,054
Fixed Asset Adjustment Per Valuation (Historical Cost Adjustment)		23,527	(16,583,919)	(2,366,293)
Increase (Decrease) in Allocation from Columbia Montour Area Vocational Technical School	(545)	(9,486)	14,055	4,024
Ending Balance (Historical Cost) \$ <u>49,036</u>	\$ <u>8,384,229</u>	\$ <u>18,330,520</u>	\$ <u>26,763,785</u>	

Prior to June 30, 2001 the District valued their fixed assets at appraised cost. During the 2001-02 school year the District had a historical cost valuation done to value assets properly for GASB 34.

Note 8 - Leased Equipment

The Southern Columbia School District entered into a lease purchase agreement for a HVAC system installed in the elementary and junior-senior high schools. The terms of the agreement require 84 monthly payments of \$8,811 which includes principal and interest. Total payments for the year ended June 30, 2002 were \$105,730.

The School District entered into a lease purchase agreement for several pieces of office equipment in December 1998. The terms of the agreement require 60 monthly payments of \$699 which includes principal and interest. Total payments for the year ended June 30, 2002 were \$8,388.

The future minimum lease payments over the next five years is shown below:

June 30, 2003	\$114,118
June 30, 2004	114,118
June 30, 2005	8,811
June 30, 2006	-0-
June 30, 2007	-0-

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 9 - General Long-Term Debt

The School District had the following general long-term debt activity for the year ended June 30, 2002:

	<u>Balance</u> <u>6/30/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/02</u>
General Obligation Bonds, Series of 1998	\$ <u>3,870,000</u>	\$ <u>0-</u>	\$ <u>5,000</u>	\$ <u>3,865,000</u>
General Obligation Bonds, Series of 2001	\$ <u>3,765,000</u>	\$ <u>0-</u>	\$ <u>530,000</u>	\$ <u>3,235,000</u>

1998 General Obligation Bonds

On September 18, 1998 the School District issued a \$3,880,000 of Series of 1998 General Obligation Bonds. The entire amount was sold in a negotiated sale at a discount of \$33,950. The proceeds of this bond issue were used to fund the costs of certain capital projects.

The bonds are fully registered and were issued in multiples of \$5,000. Interest is payable semi-annually, at rates stipulated in the indenture, on February 1 and August 1 of each year. Principal payments are scheduled annually on February 1 of each year through February 1, 2015. The bonds maturing February 1, 2004 and thereafter are subject to redemption prior to maturity at the option of the School District as a whole, or in part, on August 1, 2003 or any date thereafter. The effective interest rate over the lives of these bonds is approximately 4.49%.

The bonds are secured with the full faith, credit and taxing power of the School District. A sinking fund has been established by a paying agent for the payment of principal and interest. Funds must be transferred to this account no later than the maturity and interest payment dates established by the indenture.

The remaining scheduled maturity dates, principal amounts and applicable interest rates associated with the bond issue are presented below:

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 9 - General Long-Term Debt - continued

1998 General Obligation Bonds - continued

Due Date	Principal/ Mandatory Sinking Fund Redemption	Rate	Interest	Debt Service	Year Ending 6/30	Fiscal Debt Service
8/1/02			\$ 86,300	\$ 86,300		
2/1/03	\$ 5,000	4.10%	86,300	91,300	2003	\$ 177,600
8/1/03			86,198	86,198		
2/1/04	5,000	4.15%	86,198	91,198	2004	177,396
8/1/04			86,094	86,094		
2/1/05	5,000	4.20%	86,094	91,094	2005	177,188
8/1/05			85,989	85,989		
2/1/06	5,000	4.25%	85,989	90,989	2006	176,978
8/1/06			85,883	85,883		
2/1/07	5,000	4.30%	85,883	90,883	2007	176,766
8/1/07			85,775	85,775		
2/1/08	410,000	4.30%	85,775	495,775	2008	581,550
8/1/08			76,960	76,960		
2/1/09	425,000	4.35%	76,960	501,960	2009	578,920
8/1/09			67,716	67,716		
2/1/10	450,000	4.375%	67,716	517,716	2010	585,432
8/1/10			57,872	57,872		
2/1/11	465,000	4.40%	57,872	522,872	2011	580,744
8/1/11			47,642	47,642		
2/1/12	485,000	4.50%	47,642	532,642	2012	580,284
8/1/12			36,730	36,730		
2/1/13	510,000	4.50%	36,730	546,730	2013	583,460
8/1/13			25,255	25,255		
2/1/14	535,000	4.60%	25,255	560,255	2014	585,510
8/1/14			12,950	12,950		
2/1/15	<u>560,000</u>	4.625%	<u>12,950</u>	<u>572,950</u>	2015	<u>585,900</u>
	<u>\$3,865,000</u>		<u>\$1,682,728</u>	<u>\$5,547,728</u>		<u>\$5,547,728</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 9 - General Long-Term Debt - continued

2001 General Obligation Bonds

On May 15, 2001 the School District issued a \$3,765,000 of Series of 2001 General Obligation Bonds. The entire amount was sold in a negotiated sale at a discount of \$28,237. The proceeds of this bond issue were used to refund the General Obligation Bonds, Series of 1996.

The bonds are fully registered and were issued in multiples of \$5,000. Interest is payable semi-annually, at rates stipulated in the indenture, on October 15 and April 15 of each year. Principal payments are scheduled annually on April 15 of each year through April 15, 2007. The bonds are not subject to redemption prior to maturity. The effective interest rate over the lives of these bonds is approximately 3.77%.

The bonds are secured with the full faith, credit and taxing power of the School District. A sinking fund has been established by a paying agent for the payment of principal and interest. Funds must be transferred to this account no later than the maturity and interest payment dates established by the indenture.

The remaining scheduled maturity dates, principal amounts and applicable interest rates associated with the bond issue are presented below:

<u>Due</u> <u>Date</u>	<u>Principal/ Mandatory Sinking Fund Redemption</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Year Ending 6/30</u>	<u>Fiscal Debt Service</u>
10/15/02			\$ 60,313	\$ 60,313		
04/15/03	\$ 600,000	3.50%	60,313	660,313	2003	\$ 720,626
10/15/03			49,812	49,812		
04/15/04	625,000	3.60%	49,812	674,812	2004	724,624
10/15/04			38,563	38,563		
04/15/05	645,000	3.70%	38,563	683,563	2005	722,126
10/15/05			26,630	26,630		
04/15/06	670,000	3.80%	26,630	696,630	2006	723,260
10/15/06			13,900	13,900		
04/15/07	<u>695,000</u>	4.00%	<u>13,900</u>	<u>708,900</u>	2007	<u>722,800</u>
	<u>\$3,235,000</u>		<u>\$378,436</u>	<u>\$3,613,436</u>		<u>\$3,613,436</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 9 - General Long-Term Debt - continued

The aggregate maturities of all long-term borrowings for the next five years and to maturity are:

<u>Year Ending June 30</u>	
2003	\$ 605,000
2004	630,000
2005	650,000
2006	675,000
2007	700,000
Years 2008 to 2012	2,235,000
Years 2013 to Maturity	<u>1,605,000</u>
Total at 6/30/02	<u>\$7,100,000</u>

Note 10 - Pension Plan

The School District participates in the Public School Employees' Retirement System (PSERS), a governmental cost sharing multiple-employer defined benefit plan with the following benefits provided: Retirement and disability, legislatively mandated ad hoc cost-of-living adjustments and health care insurance premium assistance to qualifying annuitants. The plan is authorized by the Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa.C.S. 8101-8535). The system issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Barbara D. Flurie, Office of Financial Management, Public School Employees' Retirement System, P. O. Box 125, Harrisburg, PA 17108-0125. The report is also available in the publications section of the PSERS website at www.psers.state.pa.us.

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Active members who joined the system prior to July 22, 1983 contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the system after June 30, 2001 contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2002, the rate of employer contribution was 1.09 percent of covered payroll. The 1.09 percent rate is entirely attributed to actuarial requirements for health care insurance premium. Employer contributions and percentages of contributions for 2002, 2001 and 2000 are as follows, respectively, contribution amounts - \$72,859, \$121,430 and \$270,326, percentages of contributions - 1.09%, 1.94% and 4.61%.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2002

Note 11 - Revenues

Major sources of revenue by fund type for the year ended June 30, 2002 are as follows:

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Project</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Non-</u> <u>Expendable</u> <u>Trust</u> <u>Fund</u>	<u>Enterprise</u> <u>Fund</u>
Local Taxes	\$ 5,952,460	\$ -0-	\$ -0-	\$-0-	\$ -0-	\$ -0-
Local Miscellaneous	107,254	54,492	800	-0-	-0-	291,539
Interest Income	100,091	13,542	269	44	1,250	1,968
State Funds	5,080,203	119,506	-0-	-0-	-0-	25,540
Federal Funds	441,295	-0-	-0-	-0-	-0-	113,108
Transfers From Other Governmental Units	22,880	-0-	-0-	-0-	-0-	-0-
Interfund Transfers	-0-	365,000	-0-	-0-	-0-	-0-
Sale/Compensation for Fixed Assets	835	-0-	-0-	-0-	-0-	-0-
Donations	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,336</u>	<u>-0-</u>
	<u>\$11,705,018</u>	<u>\$552,540</u>	<u>\$1,069</u>	<u>\$44</u>	<u>\$4,586</u>	<u>\$432,155</u>

Note 12 - Commitments and Contingencies

The School District receives state grants and subsidies that are subject to audit and review by the Auditor General. These audits could result in a request for reimbursement by the state for amounts disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such reimbursements, if any, will not be significant.

Because of the variety of activities which take place on School District property, it is not unusual for the School District to be subject to claims related to injuries which have occurred in conjunction with these activities. Claims of this type may be resolved in a number of ways, including through litigation. At present, there are claims pending against the School District which may or may not result in damages to be paid by the School District. Because the potential outcome of these claims can not be determined with any certainty at this time, no current liability has been accrued in these financial statements.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002

<u>Federal/Grantor Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Date</u>
U. S. Department of Education				
21 st Century CLC	D	84.287	n/a	6/1/01-5/31/02
Passed Through PA Dept. of Education				
ESEA - Title I	I	84.010	013-010404	7/1/00-9/30/01
ESEA - Title I	I	84.010	013-020404	7/1/01-9/30/02
ESEA - Title VI	I	84.298	011-020404	7/1/01-9/30/02
ESEA - Title VI CSR	I	84.340	088-020404	7/1/01-9/30/02
Drug Free Schools	I	84.186	100-010405	7/1/00-9/30/01
Drug Free Schools	I	84.186	100-010405	7/19/01-9/30/02
U. S. Department of Agriculture				
Passed Through the PA Dept. of Education				
NSLP	I	10.555	n/a	7/1/01-6/30/02
NSLP - Breakfast	I	10.553	n/a	7/1/01-6/30/02
Passed Through the PA Dept. of Agriculture				
Donated Commodities (Non-Cash Assistance)	I	10.550	n/a	7/1/01-6/30/02
TOTAL FEDERAL FINANCIAL ASSISTANCE				
State Sources				
PA School Lunch & Breakfast Program	I	n/a	n/a	7/1/01-6/30/02
TOTAL PA FINANCIAL ASSISTANCE				

Source Codes: D - Direct Funding I - Indirect Funding

- Footnotes: (a) Total amount of commodities received from Dept. of Agriculture.
(b) Beginning Inventory at June 30, 2001.
(c) Total amount of commodities used during the year ended June 30, 2002.
(d) Ending Inventory at June 30, 2002.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at 6/30/01</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>	<u>Accrued or (Deferred) Revenue at 6/30/02</u>
\$375,973	\$113,991	\$ -0-	\$121,414	\$121,414	\$ 7,423
136,229	9,082	9,082	-0-	-0-	-0- 1508
133,681	-0-	154,968	154,968	21,287	
10,128	10,128	-0-	10,128	10,128	-0-
50,961	50,961	-0-	50,961	50,961	-0- 6 378
850 850	-0-	-0-	-0-		
6,179	4,531	-0-	4,925	4,925	394
n/a	73,847	782	73,602	73,602	537
n/a	13,499	182	13,449	13,449	132
n/a	<u>26,056</u> (a)	<u>(5,289)</u> (b)	<u>26,396</u> (c)	<u>26,396</u> (c)	<u>(4,949)</u> (d)
	<u>\$436,626</u>	<u>\$ 5,607</u>	<u>\$455,843</u>	<u>\$455,843</u>	<u>\$ 24,824</u>
	<u>\$ 18,680</u>	<u>\$ 174</u>	<u>\$ 18,629</u>	<u>\$ 18,629</u>	<u>\$ 123</u>
	<u>\$ 18,680</u>	<u>\$ 174</u>	<u>\$ 18,629</u>	<u>\$ 18,629</u>	<u>\$ 123</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2002

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Southern Columbia School District. The School District's reporting entity is defined in Note 1 to the School District's general purpose financial statements. All federal assistance received directly from federal agencies as well as passed through other government agencies are included on the schedule.

Note 2 - Basis of Accounting

The accompany Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is described in the notes to the School District's general purpose financial statements.

Note 3 - Relationship to General Purpose Financial Statements

Federal financial assistance revenues are reported in the School District's general purpose financial statements as follows:

General Fund	\$ 441,295
Cafeteria Fund	<u>113,108</u>
Total per Financial Statements	554,403
Access Reimbursements Not Included on the Schedule of Expenditures of Federal Awards	(98,900)
Increase in Revenue Recognized for USDA Donated Commodities to Value of Commodities Used	<u>340</u>
Total Federal Revenue per Schedule of Expenditures of Federal Awards	\$ <u>455,843</u>

Note 4 - Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except in cases where those reports are filed on a basis other than the modified accrual basis of accounting.

Note 5 - USDA Donated Commodities

USDA donated commodities are valued at USDA assigned values at time of delivery.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2002

There were no findings or questioned costs for the prior year ended June 30, 2001.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board
Southern Columbia School District
Catawissa, PA

We have audited the general purpose financial statements of Southern Columbia School District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 3, 2002, which was qualified because the fixed assets purchased by its proprietary fund are shown in the General Fixed Asset Account Group. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

CLARK, SCHAEFFER, JONES & EICHNER, L.L.P.
Certified Public Accountants
October 3, 2002

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

Members of the Board
Southern Columbia School District
Catawissa, PA

COMPLIANCE

We have audited the compliance of Southern Columbia School 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 each of its major federal programs for the year ended June 30, 2002. Southern Columbia School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southern Columbia School District's management. Our responsibility is to express an opinion on Southern Columbia School District's compliance based on our audit.

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

In our opinion, Southern Columbia School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June

INTERNAL CONTROL OVER COMPLIANCE

The management of Southern Columbia School 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 Southern Columbia School 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of law, 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 operations that we consider to be material weaknesses.

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

CLARK, SCHAEFFER, JONES & EICHNER, L.L.P.
Certified Public Accountants
October 3, 2002

SOUTHERN COLUMBIA SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2002

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal Control over Financial Reporting:

Material weakness(es) identified? Yes No

Reportable condition(s) identified not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes No

Reportable condition(s) identified not considered to be weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.010	ESEA - Title I
84.287	21 st Century CLC

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee: Yes No

Section II - Financial Statement Findings

There are no findings to be reported

Section III - Federal Award Findings and Questioned Costs

There are no findings to be reported.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Corrective Action Plan
For the Year Ended June 30, 2002

There were no audit findings for the year ended June 30, 2002. Therefore, there is no corrective action plan.