

Union Scioto Local School District  
Ross County, Ohio

Single Audit

July 1, 2009 through June 30, 2010  
Fiscal Year Audited Under GAGAS: 2010



**Balestra, Harr & Scherer, CPAs, Inc.**

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528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639





# Dave Yost • Auditor of State

Board of Education  
Union Scioto Local School District  
1565 Egypt Pike  
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of the Union Scioto Local School District, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Union Scioto Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 14, 2011

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**Union Scioto Local School District**  
*Ross County, Ohio*

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### Independent Auditor's Report

Members of the Board  
Union Scioto Local School District  
1565 Egypt Pike  
Chillicothe, OH 45601

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Union Scioto Local School District, Ross County, Ohio, (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

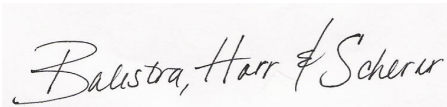
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Union Scioto Local School District, Ross County, Ohio as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General 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 December 29, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board  
Union Scioto Local School District  
Independent Auditor's Report  
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We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 29, 2010

***Union Scioto Local School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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The discussion and analysis of the Union Scioto Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets increased \$1,212,880 from the prior fiscal year.
- General revenues accounted for \$15,073,326. Program specific revenues in the form of Charges for Services and Sales and Operating Grants and Contributions accounted for \$5,384,456 of total revenues of \$20,457,782.
- The School District had \$19,244,902 in expenses related to governmental activities; only \$5,384,456 of these expenses were offset by program specific charges for services, sales, grants, or contributions. General revenues (primarily taxes and grants and entitlements) of \$15,073,326 provided for these programs.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Union Scioto Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.



***Union Scioto Local School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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### **Reporting the School District as a Whole**

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2010?” The Statement of Net Assets and the Statement of Activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District only reports governmental activities. Governmental activities are the activities where all of the School District’s programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

### **Reporting the School District’s Most Significant Funds**

#### *Fund Financial Statements*

The analysis of the School District’s major funds begins on page eight. Fund financial statements provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s only major governmental fund is the General Fund.

#### *Governmental Funds*

Most of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Union Scioto Local School District***  
Management's Discussion and Analysis  
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*Proprietary Fund*

Proprietary funds use the same basis of accounting as business-type activities. The Internal Service Fund is used to report the medical, surgical and dental benefits provided to the School District's employees.

*Fiduciary Fund*

The School District's fiduciary fund is an agency fund. The School District's fiduciary fund is reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in this fund are used for its intended purpose. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for fiscal years 2010 compared to 2009:

**Union Scioto Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

Table 1  
Net Assets

	Governmental Activities		Increase (Decrease)
	2010	2009	
<b><u>Assets:</u></b>			
Current Assets	\$18,078,925	\$16,907,830	\$1,171,095
Capital Assets, Net	24,629,038	25,522,169	(893,131)
<i>Total Assets</i>	42,707,963	42,429,999	277,964
<b><u>Liabilities:</u></b>			
Other Liabilities	4,230,215	4,845,676	(615,461)
Long-Term Liabilities	6,447,862	6,767,317	(319,455)
<i>Total Liabilities</i>	10,678,077	11,612,993	(934,916)
<b><u>Net Assets:</u></b>			
Invested in Capital Assets, Net of Related Debt	21,012,983	21,617,897	(604,914)
Restricted	2,126,281	1,950,726	175,555
Unrestricted	8,890,622	7,248,383	1,642,239
<i>Total Net Assets</i>	\$32,029,886	\$30,817,006	\$1,212,880

Overall, an insignificant increase occurred within total assets from the prior fiscal year. However, components of total assets did have significant changes when compared to the prior fiscal year. Equity in pooled cash and cash equivalents increased due to the School District's continued monitoring of expenditures. Capital assets, net decreased \$893,131 primarily due to current year depreciation exceeding current year additions.

Total liabilities of the School District decreased \$934,916 from the prior fiscal year due primarily to annual debt service payments, as well as a greater amount of monies being available as an advance to the School District than in the prior fiscal year. This increase caused a significant decrease in the amount of deferred revenue remaining on the Statement of Net Assets.

Invested in capital assets, net of related debt decreased \$604,914 due to the School District's significant depreciation amounts existing. Restricted net assets increased due to the School District having a greater requirement for its textbooks and instructional materials set-asides than in the prior fiscal year. Unrestricted net assets of the School District demonstrated a significant increase primarily due to the School District's continued monitoring of expenditures.

**Union Scioto Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**Unaudited**

Table 2 shows the changes in net assets for fiscal years 2010 and 2009.

Table 2  
Changes in Net Assets

	Governmental Activities		Increase (Decrease)
	2010	2009*	
<b><u>Revenues:</u></b>			
Program Revenues:			
Charges for Services and Sales	\$2,876,963	\$2,638,201	\$238,762
Operating Grants and Contributions	2,507,493	1,979,941	527,552
Capital Grants and Contributions	0	13,315	(13,315)
<b>Total Program Revenues</b>	<b>5,384,456</b>	<b>4,631,457</b>	<b>752,999</b>
General Revenues:			
Income Taxes	1,059,756	1,102,131	(42,375)
Property Taxes	3,828,399	3,570,692	257,707
Grants and Entitlements not Restricted to Specific Programs	10,027,980	10,016,883	11,097
Unrestricted Contributions and Donations	20,000	12,420	7,580
Investment Earnings	18,227	76,605	(58,378)
Miscellaneous	118,964	52,540	66,424
<b>Total General Revenues</b>	<b>15,073,326</b>	<b>14,831,271</b>	<b>242,055</b>
<b>Total Revenues</b>	<b>20,457,782</b>	<b>19,462,728</b>	<b>995,054</b>
<b><u>Program Expenses:</u></b>			
Instruction			
Regular	10,305,330	9,226,151	1,079,179
Special	1,336,664	1,226,843	109,821
Vocational	10,718	8,990	1,728
Support Services			
Pupils	895,561	887,864	7,697
Instructional Staff	563,159	701,832	(138,673)
Board of Education	772,220	1,573,855	(801,635)
Administration	1,197,047	1,125,654	71,393
Fiscal	439,829	391,088	48,741
Business	39,803	74,804	(35,001)
Operation and Maintenance of Plant	1,384,229	1,598,782	(214,553)
Pupil Transportation	902,292	851,509	50,783
Central	6,859	9,000	(2,141)
Operation of Non-Instructional Services	930,255	809,404	120,851
Extracurricular Activities	257,695	234,019	23,676
Interest and Fiscal Charges	203,241	212,285	(9,044)
<b>Total Expenses</b>	<b>19,244,902</b>	<b>18,932,080</b>	<b>312,822</b>
<b>Change in Net Assets</b>	<b>1,212,880</b>	<b>530,648</b>	<b>682,232</b>
<b>Net Assets at Beginning of Year</b>	<b>30,817,006</b>	<b>30,286,358</b>	<b>530,648</b>
<b>Net Assets at End of Year</b>	<b>\$32,029,886</b>	<b>\$30,817,006</b>	<b>\$1,212,880</b>

\* As restated -- See Note 22.

***Union Scioto Local School District***  
Management's Discussion and Analysis  
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Unaudited

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Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues were \$5,384,456 for fiscal year 2010. Operating grants and contributions increased significantly as a result of the School District receiving additional grants through the American Recovery and Reinvestment Act.

As previously mentioned, general revenues were \$15,073,326 for fiscal year 2010. The majority of these revenues are in the form of grants and entitlements not restricted to specific programs and property taxes. Other revenue sources, such as investment earnings, are insignificant and are somewhat unpredictable revenue sources.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Support Services consists of several function categories as follows:

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, fiscal, and business includes expenses associated with administrative and financial supervision of the School District.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by State law.

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Extracurricular activities includes expenses related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

***Union Scioto Local School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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As should be expected, instruction costs represent the largest of the School District's expenses for fiscal year 2010. A significant increase occurred within regular instruction when compared to the prior fiscal year. This was due to the School District incurring significant increases in health insurance rates for fiscal year 2010 and a reclassification of open enrollment expenditures. In the prior fiscal year, open enrollment expenditures were posted to the support services – board of education account. Thus, there was a significant decrease in this account for fiscal year 2010 when compared to the prior fiscal year.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. That is, it identifies the cost of these services supported by tax revenues and unrestricted grants and entitlements. The dependence upon tax revenues and intergovernmental foundation monies is apparent. The community and the State of Ohio, as a whole, provide the vast majority of resources for Union Scioto Local School District students.

### **The School District's Funds**

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,346,801 and expenditures of \$18,776,459.

The General Fund balance increased \$1,856,313. When comparing revenues and expenditures for fiscal year 2010 to those of fiscal year 2009, no significant changes can be found. The continued monitoring of the expenditures of the School District have allowed for the fund balance of the General Fund to grow at a consistent rate.

### **General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2010, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

A review of the budgetary comparison statement for the General Fund reflects an insignificant change in revenues from the original budget to the final budget. There was also very little change for revenues from the final budget to actual revenues received.

***Union Scioto Local School District***  
Management's Discussion and Analysis  
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Unaudited

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The decrease in expenditures from the original to the final budget is insignificant. However, the difference in actual expenditures made from the final budget was \$3,388,171, a significant decrease. The largest savings were realized in the support services – board of education, support services – operation and maintenance of plant, and capital outlay functions. The decrease in the support services – board of education was the result of a reclassification of open enrollment expenditures. Such expenditures were appropriated in support services – board of education function but were posted to regular instruction. The decrease in support services – operation and maintenance of plant was the result of significant savings in utilities during the fiscal year. The decrease in capital outlay was the result of the School District budgeting for more energy conserving projects. However, such expenditures did not occur during fiscal year 2010.

Actual General Fund revenues and other financing sources were lower than expenditures and other financing uses by \$170,596.

The School District's ending unobligated cash balance was \$3,389,202 above the final budgeted amount.

### **Capital Assets**

At the end of fiscal year 2010, the School District had \$24,629,038 invested in capital assets (net of accumulated depreciation). Additions to capital assets primarily consisted of the completion of the heating and cooling improvements to the existing buildings, in addition to various furniture and equipment and school buses. Disposals for the fiscal year were equipment and vehicles. For further information regarding the School District's capital assets, refer to Note 9 in the Notes to the Basic Financial Statements.

### **Debt Administration**

At June 30, 2010, the School District had \$3,022,975 in outstanding long-term general obligation debt, which includes serial and capital appreciation bonds as well as the accretion on the capital appreciation bonds. The School District's long-term liabilities also include a bond premium and a loss on refunding relating to the general obligation debt, as well as capital leases in the amount of \$830,131. The School District's long-term obligations also include compensated absences.

At June 30, 2010, the School District's overall legal debt margin was \$13,550,249 with an unvoted debt margin of \$647,889.

For further information regarding the School District's debt obligations, refer to Note 15 in the Notes to the Basic Financial Statements.

*Union Scioto Local School District*  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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**Current Financial Issues and Concerns**

The Board of Education and the administration of the School District place a strong emphasis on academic programs. The School District offers a wide range of learning opportunities and every effort is made to assure that each student is provided the best education possible within the limits of the School District's resources.

The School District features a traditional child centered curriculum with emphasis on basic studies. A well trained staff stresses "hands on" learning activities through up-to-date instructional practices. Special programs are available to serve the educationally disadvantaged. In addition, a variety of classroom or building enrichment activities are offered. The academic program includes diversified high school course selections, career education, and vocal and instrumental music programs. Co-curricular activities appropriate to age and grade level are available to complement the curricular program. The School District also provides preschool and latchkey programs in an effort to better serve families in our community by offering additional educational programs.

With the completion of the Ohio School Facilities Commission project in 2003, the School District's classroom facilities are in excellent physical condition and allow the Board of Education and administration to provide a safe and pleasant environment for students to...believe, achieve and succeed. The School District is now focusing on renovations to the athletic facility. In June of 2006, a major improvement to the school outdoor athletic complex took place, as the bleachers were replaced on both the home and visitor sides of the athletic field. With this improvement the School District was also able to provide access to the handicapped and accommodate larger crowds. In June of 2007, the School District completed the improvements to the outdoor athletic complex. A new concession stand, restroom facility, team room, pavilion, and ticket booth were constructed. In cooperation with the Ross County Engineers Department, the School District was also able to improve safety conditions on the campus by constructing an underground tunnel that leads to the entrance of the outdoor athletic complex. In June, 2008, the renovations to the high school gymnasium were completed. This included painting, refinishing the floor and the installation of new, handicapped accessible bleachers. In the fall of 2008, a walking path and bridge connecting the elementary playground to the outdoor athletic complex was completed. This allowed the elementary children to access the track and field facilities easily along with providing additional exercise activities for the students and the community to enjoy. An outdoor classroom was constructed in this area to allow teachers to have additional educational options. During fiscal year 2010, the School District completed work on a press box for the high school soccer field.

The School District completed the H.B. 264 Energy Conservation Project in fiscal year 2010. This project allowed the School District to manage the heating and cooling systems in the elementary, junior high and high school buildings more efficiently and effectively. As a result of this project, the School District reduced utility costs by over \$160,000 in fiscal year 2010.



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The School District is in the fourth year of a five year technology replacement plan. This plan includes upgrading and replacing over 750 computers used throughout the School District by 2011. It also includes the installation of smart boards in the classrooms to provide teachers and students with additional interactive learning tools. In late 2010, the School District initiated a \$295,000 technology network upgrade. This project provided greater capacity for teachers and students to take advantage of 21<sup>st</sup> Century technology tools. This upgrade also provides greater security through video surveillance and an upgrade to the phone systems which will better serve parents, the community, and staff in providing more reliable communications.

On May 5, 2009, the voters of the School District approved the renewal of a one-half percent tax on the income of residents and of estates within the School District. This levy began January, 2010 and will continue for five years.

The School District also has a considerable amount of State tax-exempt property and has pursued this issue with the assistance of the County Auditor. Their efforts prevailed and the School District began receiving an additional allowance in State funding in fiscal year 2005.

The future of school funding in the next State biennial budget will have a material effect on the School District's financial outlook. State formula funding comprises 57 percent of the School District's current General Fund budget. Federal State Fiscal Stabilization funds account for seven percent of the School District's State formula funding. This money is a one-time revenue source that will not be available to fund schools in the next budget. Any reduction of State funding will be of critical concern to the School District.

In conclusion, the Union Scioto Local School District has committed itself to financial excellence. The School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future and to provide the best educational opportunities to its children.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Rose, Treasurer, at Union Scioto Local School District, 1565 Egypt Pike, Chillicothe, Ohio 45601 or e-mail at [jrose@mail.gsn.k12.oh.us](mailto:jrose@mail.gsn.k12.oh.us).

**Union Scioto Local School District**

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$13,859,058
Cash and Cash Equivalents with Fiscal Agent	391,310
Materials and Supplies Inventory	2,450
Inventory Held for Resale	8,344
Accrued Interest Receivable	539
Accounts Receivable	11,318
Intergovernmental Receivable	206,431
Prepaid Items	12,851
Income Taxes Receivable	456,214
Property Taxes Receivable	3,082,044
Deferred Charges	48,366
Capital Assets:	
Land	444,360
Depreciable Capital Assets, Net	<u>24,184,678</u>
<i>Total Assets</i>	<u>42,707,963</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	10,912
Accrued Wages and Benefits Payable	1,579,210
Intergovernmental Payable	259,043
Accrued Interest Payable	9,671
Personal Leave Balance Payable	15,779
Deferred Revenue	2,352,140
Claims Payable	3,460
Long-Term Liabilities:	
Due Within One Year	502,596
Due Within More Than One Year	<u>5,945,266</u>
<i>Total Liabilities</i>	<u>10,678,077</u>
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	21,012,983
Restricted for:	
Debt Service	470,842
Capital Projects	726,294
Other Purposes	538,416
Set-Asides	390,729
Unrestricted	<u>8,890,622</u>
<i>Total Net Assets</i>	<u><u>\$32,029,886</u></u>

See accompanying notes to the basic financial statements

**Union Scioto Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b><u>Governmental Activities:</u></b>				
Instruction:				
Regular	\$10,305,330	\$2,369,941	\$185,987	(\$7,749,402)
Special	1,336,664	0	1,214,124	(122,540)
Vocational	10,718	0	122	(10,596)
Support Services:				
Pupils	895,561	0	398,709	(496,852)
Instructional Staff	563,159	0	0	(563,159)
Board of Education	772,220	23,256	0	(748,964)
Administration	1,197,047	40,126	6,061	(1,150,860)
Fiscal	439,829	0	0	(439,829)
Business	39,803	0	0	(39,803)
Operation and Maintenance of Plant	1,384,229	10,502	0	(1,373,727)
Pupil Transportation	902,292	0	117,222	(785,070)
Central	6,859	0	6,859	0
Operation of Non-Instructional Services	930,255	369,180	576,009	14,934
Extracurricular Activities	257,695	63,958	2,400	(191,337)
Interest and Fiscal Charges	203,241	0	0	(203,241)
<b><i>Total Governmental Activities</i></b>	<b>\$19,244,902</b>	<b>\$2,876,963</b>	<b>\$2,507,493</b>	<b>(13,860,446)</b>
<b><u>General Revenues:</u></b>				
				1,059,756
Income Taxes				1,059,756
Property Taxes Levied for:				
General Purposes				3,462,533
Debt Service				303,877
Capital Outlay				61,989
Grants and Entitlements not Restricted to Specific Programs				10,027,980
Unrestricted Contributions and Donations				20,000
Investment Earnings				18,227
Miscellaneous				118,964
<b><i>Total General Revenues</i></b>				<b>15,073,326</b>
<b><i>Change in Net Assets</i></b>				<b>1,212,880</b>
<b><i>Net Assets at Beginning of Year - Restated (Note 22)</i></b>				<b>30,817,006</b>
<b><i>Net Assets at End of Year</i></b>				<b>\$32,029,886</b>

See accompanying notes to the basic financial statements

**Union Scioto Local School District**

Balance Sheet  
Governmental Funds  
June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$10,016,689	\$1,671,214	\$11,687,903
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	421,356	0	421,356
Receivables:			
Property Taxes	2,788,322	293,722	3,082,044
Income Taxes	456,214	0	456,214
Intergovernmental	514	205,917	206,431
Accounts	6,287	5,031	11,318
Interfund	27,448	0	27,448
Accrued Interest	539	0	539
Prepaid Items	10,961	1,890	12,851
Materials and Supplies Inventory	0	2,450	2,450
Inventory Held for Resale	0	8,344	8,344
<i>Total Assets</i>	<u>\$13,728,330</u>	<u>\$2,188,568</u>	<u>\$15,916,898</u>
 <b><u>Liabilities and Fund Balances:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable	\$4,764	\$6,148	\$10,912
Accrued Wages and Benefits Payable	1,413,695	165,515	1,579,210
Intergovernmental Payable	236,095	22,948	259,043
Interfund Payable	0	27,448	27,448
Personal Leave Balances Payable	13,340	2,439	15,779
Deferred Revenue	2,291,523	304,723	2,596,246
<i>Total Liabilities</i>	<u>3,959,417</u>	<u>529,221</u>	<u>4,488,638</u>
 <b><u>Fund Balances:</u></b>			
Reserved for Encumbrances	1,274,273	427,058	1,701,331
Reserved for Property Taxes	559,251	60,373	619,624
Reserved for Textbooks and Instructional Materials	390,729	0	390,729
Reserved for Bus Purchases	26,621	0	26,621
Reserved for Unclaimed Monies	4,006	0	4,006
Unreserved, Undesignated, Reported in:			
General Fund	7,514,033	0	7,514,033
Special Revenue Funds	0	345,890	345,890
Debt Service Fund	0	421,353	421,353
Capital Projects Funds	0	404,673	404,673
<i>Total Fund Balances</i>	<u>9,768,913</u>	<u>1,659,347</u>	<u>11,428,260</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$13,728,330</u>	<u>\$2,188,568</u>	<u>\$15,916,898</u>

See accompanying notes to the basic financial statements

**Union Scioto Local School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2010

**Total Governmental Fund Balances** \$11,428,260

***Amounts reported for governmental activities in the  
 Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	444,360	
Other capital assets	38,830,051	
Accumulated depreciation	(14,645,373)	
Total capital assets	24,629,038	24,629,038

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	110,280	
Income taxes	62,452	
Intergovernmental	71,374	
	244,106	244,106

The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 2,137,649

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 48,366

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(2,785,927)	
Accretion on bonds	(237,048)	
Accrued interest on bonds	(9,671)	
Premium on refunding	(171,371)	
Loss on refunding	123,008	
Capital leases	(830,131)	
Compensated absences	(2,546,393)	
Total liabilities	(6,457,533)	(6,457,533)

**Net Assets of Governmental Activities** \$32,029,886

See accompanying notes to the basic financial statements

**Union Scioto Local School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>			
Property Taxes	\$3,458,902	\$365,463	\$3,824,365
Income Taxes	1,073,206	0	1,073,206
Intergovernmental	9,888,934	2,563,500	12,452,434
Investment Earnings	18,203	53	18,256
Tuition and Fees	2,369,941	0	2,369,941
Rent	10,502	0	10,502
Extracurricular Activities	0	104,084	104,084
Contributions and Donations	24,500	7,165	31,665
Customer Sales and Services	23,256	369,180	392,436
Miscellaneous	67,744	2,168	69,912
<i>Total Revenues</i>	<u>16,935,188</u>	<u>3,411,613</u>	<u>20,346,801</u>
<b><u>Expenditures:</u></b>			
Current:			
Instruction:			
Regular	8,501,114	781,052	9,282,166
Special	748,707	605,969	1,354,676
Vocational	9,847	0	9,847
Support Services:			
Pupils	533,681	352,375	886,056
Instructional Staff	557,485	1,015	558,500
Board of Education	771,923	0	771,923
Administration	918,513	172,546	1,091,059
Fiscal	434,295	6,837	441,132
Business	39,316	0	39,316
Operation and Maintenance of Plant	1,071,654	356,542	1,428,196
Pupil Transportation	721,014	151,712	872,726
Central	0	6,859	6,859
Operation of Non-Instructional Services	0	922,140	922,140
Extracurricular Activities	130,616	79,722	210,338
Capital Outlay	184,131	136,900	321,031
Debt Service:			
Principal Retirement	213,295	210,000	423,295
Interest and Fiscal Charges	31,100	126,099	157,199
<i>Total Expenditures</i>	<u>14,866,691</u>	<u>3,909,768</u>	<u>18,776,459</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,068,497</u>	<u>(498,155)</u>	<u>1,570,342</u>
<b><u>Other Financing Sources (Uses):</u></b>			
Proceeds from Sale of Capital Assets	4,700	0	4,700
Inception of Capital Lease	184,131	0	184,131
Transfers-In	0	401,015	401,015
Transfers-Out	(401,015)	0	(401,015)
<i>Total Other Financing Sources (Uses)</i>	<u>(212,184)</u>	<u>401,015</u>	<u>188,831</u>
<i>Net Change in Fund Balances</i>	1,856,313	(97,140)	1,759,173
<i>Fund Balances at Beginning of Year</i>	<u>7,912,600</u>	<u>1,756,487</u>	<u>9,669,087</u>
<i>Fund Balances at End of Year</i>	<u>\$9,768,913</u>	<u>\$1,659,347</u>	<u>\$11,428,260</u>

See accompanying notes to the basic financial statements

**Union Scioto Local School District**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2010

**Net Change in Fund Balances - Total Governmental Funds** \$1,759,173

**Amounts reported for governmental activities in the  
 Statement of Activities are different because:**

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	354,442	
Construction in progress additions	136,900	
Depreciation expense	(1,342,895)	
Excess of depreciation expense over capital outlay		(851,553)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets are removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets, resulting in a loss on the sale of capital assets in the Statement of Activities.

Proceeds from the sale of capital assets	(4,700)	
Gain on early trade-in of capital lease	49,052	
Loss on sale of capital assets	(36,878)	
		7,474

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	4,034	
Income taxes	(13,450)	
Intergovernmental	71,374	
Investment earnings	(29)	
Total (increase)/decrease		61,929

The Internal Service Fund used by management to charge the cost of insurance to individual funds is reported in the entity-wide Statement of Activities. (31,639)

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability. (184,131)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

Bond principal retirement	210,000	
Capital leases	213,295	
Total long-term debt repayment		423,295

Amortization of bond issuance costs, bond premiums and the deferred loss on refunding of debt is not reported in the funds, but is allocated as an expense over the life of the debt in the Statement of Activities.

Amortization of loss on refunding	(9,523)	
Amortization of bond premium	13,268	
Amortization of bond issuance costs	(3,744)	
		1

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences payable	74,374	
Decrease in accrued interest payable	837	
Accretion on bonds	(46,880)	
Total (increase)/decrease		28,331

**Change in Net Assets of Governmental Activities** \$1,212,880

See accompanying notes to the basic financial statements

**Union Scioto Local School District**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues:</u></b>				
Property Taxes	\$3,713,447	\$3,173,756	\$3,200,152	\$26,396
Income Taxes	1,065,357	1,095,546	1,075,562	(19,984)
Intergovernmental	9,926,067	10,207,338	9,888,420	(318,918)
Investment Earnings	36,888	37,933	19,257	(18,676)
Tuition and Fees	1,944,824	1,999,934	2,365,442	365,508
Rent	18,309	18,828	10,089	(8,739)
Contributions and Donations	17,018	17,500	24,500	7,000
Customer Sales and Services	16,166	16,624	21,881	5,257
Miscellaneous	61,241	62,976	67,744	4,768
<i>Total Revenues</i>	<u>16,799,317</u>	<u>16,630,435</u>	<u>16,673,047</u>	<u>42,612</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	8,561,795	8,561,795	8,525,706	36,089
Special	781,655	781,655	821,793	(40,138)
Vocational	20,522	20,522	9,847	10,675
Support Services:				
Pupils	525,777	525,777	550,222	(24,445)
Instructional Staff	697,800	697,800	606,906	90,894
Board of Education	1,921,998	1,921,997	939,060	982,937
Administration	1,037,276	1,037,276	939,802	97,474
Fiscal	467,566	467,566	485,372	(17,806)
Business	207,393	207,393	131,489	75,904
Operation and Maintenance of Plant	2,293,456	2,293,455	1,305,404	988,051
Pupil Transportation	871,565	871,566	761,154	110,412
Operation of Non-Instructional Services	131	131	0	131
Extracurricular Activities	115,589	115,589	128,116	(12,527)
Capital Outlay	1,974,859	1,974,859	884,339	1,090,520
<i>Total Expenditures</i>	<u>19,477,382</u>	<u>19,477,381</u>	<u>16,089,210</u>	<u>3,388,171</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,678,065)</u>	<u>(2,846,946)</u>	<u>583,837</u>	<u>3,430,783</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from Sale of Capital Assets	0	3,200	4,700	1,500
Transfers-In	50,000	50,000	0	(50,000)
Transfers-Out	(500,000)	(500,000)	(401,015)	98,985
Advances-In	0	85,662	10,522	(75,140)
Advances-Out	(10,522)	(10,522)	(27,448)	(16,926)
<i>Total Other Financing Sources (Uses)</i>	<u>(460,522)</u>	<u>(371,660)</u>	<u>(413,241)</u>	<u>(41,581)</u>
<i>Net Change in Fund Balance</i>	<u>(3,138,587)</u>	<u>(3,218,606)</u>	<u>170,596</u>	<u>3,389,202</u>
<i>Fund Balance at Beginning of Year</i>	<u>7,406,352</u>	<u>7,406,352</u>	<u>7,406,352</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>1,584,006</u>	<u>1,584,006</u>	<u>1,584,006</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$5,851,771</u>	<u>\$5,771,752</u>	<u>\$9,160,954</u>	<u>\$3,389,202</u>

See accompanying notes to the basic financial statements



***Union Scioto Local School District***  
Statement of Fund Net Assets  
Internal Service Fund  
June 30, 2010

	<u>Self-Insurance</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$1,749,799
Cash and Cash Equivalents with Fiscal Agent	<u>391,310</u>
<i>Total Assets</i>	2,141,109
<b><u>Liabilities:</u></b>	
Claims Payable	<u>3,460</u>
<b><u>Net Assets:</u></b>	
Unrestricted	<u><u>\$2,137,649</u></u>

See accompanying notes to the basic financial statements

**Union Scioto Local School District**  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2010

	Self-Insurance
<b><u>Operating Revenues:</u></b>	
Charges for Services	\$41,081
<b><u>Operating Expenses:</u></b>	
Purchased Services	8,376
Claims	64,344
<i>Total Operating Expenses</i>	72,720
<i>Change in Net Assets</i>	(31,639)
<i>Net Assets at Beginning of Year</i>	2,169,288
<i>Net Assets at End of Year</i>	\$2,137,649

See accompanying notes to the basic financial statements

**Union Scioto Local School District**  
Statement of Cash Flows  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2010

	<u>Self-Insurance</u>
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Receipts from Interfund Services Provided	\$41,081
Cash Payments to Suppliers for Goods and Services	(8,376)
Cash Payments for Claims	(197,286)
<i>Net Cash Used for Operating Activities</i>	(164,581)
<i>Cash and Cash Equivalents at Beginning of Year</i>	2,305,690
<i>Cash and Cash Equivalents at End of Year</i>	\$2,141,109
<b><i>Reconciliation of Operating Loss to Net Cash</i></b>	
<b><u>Used for Operating Activities:</u></b>	
Operating Loss	(\$31,639)
<b><i>Adjustments to Reconcile Operating Loss to</i></b>	
<b><u>Net Cash Used for Operating Activities:</u></b>	
Decrease in Claims Payable	(132,942)
<i>Net Cash Used for Operating Activities</i>	(\$164,581)

See accompanying notes to the basic financial statements

***Union Scioto Local School District***  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2010

	<u>Student Managed Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$49,531</u>
<b><u>Liabilities:</u></b>	
Undistributed Monies	<u>\$49,531</u>

See accompanying notes to the basic financial statements

***Union Scioto Local School District***  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Union Scioto Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and 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 92 non-certificated employees, 122 certificated teaching personnel, and 12 administrative employees who provide services to 2,092 students and other community members. The School District currently operates two instructional buildings, one administrative building, one maintenance building, and a bus garage.

*Reporting Entity*

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

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

The School District participates in seven organizations, four of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross County Career and Technology Center, the Great Seal Education Network of Tomorrow, the Coalition of Rural and Appalachian Schools, the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan, the Ohio School Plan, and the Ross County School Employees Insurance Consortium. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Union Scioto Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its Internal Service Fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The government-wide statements normally distinguish between those activities that are governmental and those that are considered business-type activities; however, the School District has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

*Fund Financial Statements*

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Internal Service Fund is presented on the face of the proprietary fund statements. Fiduciary funds are reported by type.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the School District fall within three categories: governmental, proprietary and fiduciary.

*Governmental Funds*

Governmental funds are those through which most governmental functions of the School District typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following is the School District's major governmental fund:

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.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

*Proprietary Fund*

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District. The School District's internal service fund is used to account for the vision and dental benefits provided to employees.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Fiduciary Fund*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has one fiduciary fund, an agency fund, used to account for student managed activity programs.

**Measurement Focus**

*Government-wide Financial Statements*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

*Fund Financial Statements*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.



**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Revenues - Exchange and Non-exchange Transactions*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance, income taxes, tuition and fees, interest and grants.

*Deferred Revenue*

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

*Expenses/Expenditures*

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

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

**Cash and Cash Equivalents**

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

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. The balance of the School District's funds held by the claims administrator and the fiscal agent at June 30, 2010, is presented as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$18,203, which includes \$4,736 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District for the purchase of textbooks and instructional materials, unspent revenue restricted for bus purchases, and unclaimed monies held to be reclaimed by its rightful owner.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of purchased food held for resale and expendable supplies held for consumption.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2010, 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 fiscal year in which services are consumed.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Capital Assets**

All capital assets of the School District are general capital assets associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; 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.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	8 - 10 years
Textbooks and Educational Media	5 - 20 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable". These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

**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 termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The entire compensated absences liability is reported on the government-wide financial statements.

**Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds/Loss on Refunding**

Bond issuance costs and bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the interest accrued during the fiscal year. Bond premiums and discounts and the interest on capital appreciation bonds are presented as a reduction/addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

The accounting loss on refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. Accretion on the capital appreciation bonds is not reported.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

**Fund Balance Reserves**

The School District reserves those portions of fund balance 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 balance reserves have been established for encumbrances, property taxes, textbooks and instructional materials, bus purchases and unclaimed monies.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five-year period is presented as reserved.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, and federal and State grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Internal Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Estimates**

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

**NOTE 3 – ACCOUNTABILITY**

At June 30, 2010, the Food Service, Early Childhood Education, Education Stabilization, Title I and Title II-A Special Revenue Funds had deficit fund balances of \$1,307, \$6,476, \$2,667, \$19,039 and \$4,997, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General Fund is 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$1,856,313
Adjustments:	
Revenue Accruals	(446,272)
Expenditure Accruals	54,572
Advances	(16,926)
Encumbrances	<u>(1,277,091)</u>
Budget Basis	<u><u>\$170,596</u></u>

**NOTE 5 – DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 5 – DEPOSITS AND INVESTMENTS** (continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five 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 or deposit accounts, including passbook accounts.

Interim monies held by the School District can 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.



**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 5 – DEPOSITS AND INVESTMENTS** (continued)

At June 30, 2010, the School District had “Cash and Cash Equivalents with Fiscal Agent” on the Statement of Net Assets of \$391,310. This is money paid to a claims servicing pool that pays employee health insurance claims on the School District’s behalf. The money is held by Ross-Pike Educational Service District, which is the fiscal agent for several school districts. Since the monies are commingled, no disclosures regarding risk can be disclosed under GASB Statement No. 40. The classification for the Ross-Pike Educational Service District as a whole can be obtained by writing to Erin Kirby, who serves as Treasurer, at 475 Western Avenue, Suite E, Chillicothe, Ohio 45601.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District does not have a deposit policy for custodial credit risk. At fiscal year-end, \$13,481,579 of the School District’s bank balance of \$13,981,579 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

Investments

As of June 30, 2010, the School District had the following investment:

	<u>Fair Value</u>	<u>Average Maturity</u>
STAROhio	<u>\$2,410</u>	<u>56 days</u>

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District’s investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. The School District will not directly invest in securities maturing more than five years from the date of investment.

Credit Risk

As of June 30, 2010, the School District’s only investment was in STAROhio. STAROhio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District’s investment policy limits investments to those authorized by State statute.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 6 – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's 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 (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date.

Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected in calendar year 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received during calendar year 2010 (other than public utility property tax) represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments made by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The Ross County Treasurer collects property taxes on behalf of all governments in the County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 6 – PROPERTY TAXES** (continued)

The amount available as an advance at June 30, 2010 was \$559,251 in the General Fund and \$60,373 in the Other Governmental Funds. The amount available as an advance at June 30, 2009, was \$300,501 in the General Fund and \$32,434 in the Other Governmental Funds.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second - Half Collections		2010 First - Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$169,727,120	96.42%	\$171,218,820	96.56%
Public Utility Personal	5,585,130	3.17%	5,766,820	3.25%
General Business Personal	712,750	0.41%	342,800	0.19%
Total Assessed Value	\$176,025,000	100.00%	\$177,328,440	100.00%

Tax rate per \$1,000 of assessed valuation	\$34.10	\$34.10
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**NOTE 7 – INCOME TAX**

The School District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, and continued for five years. On March 2, 2004, and on May 5, 2009, the voters of the School District approved the renewal of the income tax levy. For the latest renewal, collections began January, 2010 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.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 8 – RECEIVABLES**

Receivables at June 30, 2010, consisted of property and income taxes, intergovernmental, accounts, interfund, and accrued interest. All receivables, except for property taxes, are considered fully collectible within one year 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. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Title I - ARRA Grant	\$71,873
Title I Grant	46,399
Special Education, Part B-IDEA Grant	33,040
Special Education, Part B-IDEA ARRA Grant	26,054
Title II-A, Improving Teacher Quality Grant	12,351
Early Childhood Education Grant	8,172
Title IV-A, Safe and Drug-Free Schools Grant	6,180
Title II-D, Technology Grant	1,348
Medicaid Reimbursement	514
Title I-D, Delinquent Grant	500
Total Intergovernmental Receivables	<u><u>\$206,431</u></u>

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 9 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/2009	Additions	Deletions	Balance at 6/30/2010
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$444,360	\$0	\$0	\$444,360
Construction in Progress	753,100	136,900	890,000	0
Total Capital Assets Not Being Depreciated	<u>1,197,460</u>	<u>136,900</u>	<u>890,000</u>	<u>444,360</u>
Capital Assets Being Depreciated:				
Land Improvements	1,758,886	0	0	1,758,886
Buildings and Improvements	32,424,331	913,980	0	33,338,311
Furniture, Fixtures and Equipment	1,209,409	226,451	191,898	1,243,962
Vehicles	1,896,552	104,011	51,800	1,948,763
Textbooks and Educational Media	540,129	0	0	540,129
Total Capital Assets Being Depreciated	<u>37,829,307</u>	<u>1,244,442</u>	<u>243,698</u>	<u>38,830,051</u>
Less Accumulated Depreciation:				
Land Improvements	(549,727)	(83,025)	0	(632,752)
Buildings and Improvements	(10,357,089)	(1,037,416)	0	(11,394,505)
Furniture, Fixtures and Equipment	(634,507)	(97,684)	(150,320)	(882,511)
Vehicles	(1,423,146)	(124,770)	(51,800)	(1,600,716)
Textbooks and Educational Media	(540,129)	0	0	(540,129)
Total Accumulated Depreciation	<u>(13,504,598)</u>	<u>(1,342,895) *</u>	<u>(202,120)</u>	<u>(14,645,373)</u>
Total Capital Assets Being Depreciated, Net	<u>24,324,709</u>	<u>(98,453)</u>	<u>41,578</u>	<u>24,184,678</u>
Governmental Activities Capital Assets, Net	<u>\$25,522,169</u>	<u>\$38,447</u>	<u>\$931,578</u>	<u>\$24,629,038</u>

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 9 – CAPITAL ASSETS** (continued)

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,089,477
Vocational	844
Support Services:	
Pupils	646
Instructional Staff	1,823
Board of Education	267
Administration	46,047
Business	487
Operation and Maintenance of Plant	4,439
Pupil Transportation	129,753
Operation of Non-Instructional Services:	
Food Services	22,111
Extracurricular Activities	47,001
Total Depreciation Expense	<u>\$1,342,895</u>

**NOTE 10 – RISK MANAGEMENT**

**Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted with Ohio Casualty for building and contents and fleet insurance.

During fiscal year 2010, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to Hylant Administrative Services, LLC (See Note 18).

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant decrease in insurance coverage from the prior fiscal year.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 10 – RISK MANAGEMENT** (continued)

**Workers’ Compensation**

For fiscal year 2010, the School District participated in the Ohio Association of School Business Officials 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. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the GRP.

**Employee Medical and Surgical Benefits**

Medical and surgical insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a public entity shared risk pool, consisting of six school districts and one educational service center 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. During 2010, the claims servicing pool changed their structure and became a public entity shared risk pool.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2009	\$270,996	\$2,044,992	\$2,179,586	\$136,402
2010	136,402	64,344	197,286	3,460

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

**School Employee Retirement System**

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 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 and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$268,568, \$164,822, and \$165,709, respectively; 49.65 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**State Teachers Retirement System of Ohio**

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).



**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,000,804, \$909,196, and \$844,016, respectively; 81.78 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$13,503 made by the School District and \$9,645 made by the plan members.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2009, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 12 – POSTEMPLOYMENT BENEFITS**

**School Employee Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$39,094, \$93,653, and \$102,360, respectively; 49.65 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$15,971, \$13,599, and \$11,940, respectively; 49.65 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**State Teachers Retirement System of Ohio**

Plan Description – The School District contributes to the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 12 – POSTEMPLOYMENT BENEFITS** (continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$76,985, \$69,938, and \$64,924, respectively; 81.78 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 13 – EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation, sick leave and personal leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 23 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.

All certificated and classified employees who work 12 months and all administrators earn sick leave at the rate of one and one-half days per month, while all other employees earn 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 payment of 180 days for all classified employees, 184 days for all teachers, and the entire balance for the Treasurer and Superintendent.

All employees earn four days of personal leave per fiscal year. Classified and certificated employees have the option of receiving payment of any unused personal days after fiscal year-end, or converting them to sick leave, to be used in subsequent years.

**Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Hartford Insurance Co. The School District also provides vision benefits and dental benefits through a third party administrator, Professional Risk Management Co.

**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.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 14 – LEASES – LESSEE DISCLOSURE**

In the current and in prior fiscal years, the School District entered into capitalized leases for copiers and in fiscal year 2009, the School District entered into a lease-purchase agreement for heating and cooling improvements to the elementary, junior and senior high school buildings. The terms of the agreement transfers ownership of the improvements to the School District at the expiration of the lease term. All leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The School District is leasing the project from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. In turn, Columbus Regional Airport Authority has assigned U.S. Bank National Association as trustee. The School District will make semi-annual lease payments to U.S. Bank National Association. Interest rates are based on a calculation of the TBMA index. The lease is renewable annually and expires in fiscal year 2013. The intention of the School District is to renew the lease annually and make payments using the revenue generated from energy savings as a result of the improvements. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds and on a budgetary basis.

Capital assets acquired by lease were initially capitalized in the amount of \$1,087,131 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. During fiscal year 2010, the School District entered into a new capital lease for copiers prior to the full retirement of the old capital lease for copiers. Therefore, the balance of \$49,052 remaining on the old lease was eliminated on the financial statements upon entering into the new lease. Principal payments in fiscal year 2010 totaled \$213,295 and were paid from the General Fund.

The assets acquired through capital leases as of June 30, 2010, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Copiers	\$184,131	(\$3,069)	\$181,062
HVAC Improvements	903,000	(45,150)	857,850
Totals	\$1,087,131	(\$48,219)	\$1,038,912

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 14 – LEASES – LESSEE DISCLOSURE** (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010:

Fiscal Year Ending June 30,	Total Payments
2011	\$243,932
2012	242,190
2013	241,304
2014	143,258
2015	45,727
Total	916,411
Less: Amount Representing Interest	(86,280)
Present Value of Net Minimum Lease Payments	\$830,131

**NOTE 15 – LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the fiscal year 2010 were as follows:

	Restated Amounts Outstanding 6/30/09	Additions	Deductions	Amounts Outstanding 6/30/10	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2000 School Improvement					
Bonds - 4.4% to 5.5%					
Serial Bonds	\$375,000	\$0	\$185,000	\$190,000	\$190,000
Capital Appreciation Bonds	80,928	0	0	80,928	0
Accretion on Cap. Apprec.	166,354	36,617	0	202,971	0
2006 School Improvement					
Refunding Bonds - 3.65% to 4.75%					
Serial Bonds	2,525,000	0	25,000	2,500,000	25,000
Capital Appreciation Bonds	14,999	0	0	14,999	0
Accretion on Cap. Apprec.	23,814	10,263	0	34,077	0
Premium on Refunding	184,639	0	13,268	171,371	0
Unamortized Loss	(132,531)	0	(9,523)	(123,008)	0
Capital Leases	908,347	184,131	262,347	830,131	209,620
Compensated Absences	2,620,767	12,717	87,091	2,546,393	77,976
Total Governmental Activities					
Long-Term Obligations	\$6,767,317	\$243,728	\$563,183	\$6,447,862	\$502,596

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 15 – LONG-TERM OBLIGATIONS** (continued)

*2000 School Improvement Bonds* – On November 14, 2000, the School District issued \$4,225,928 of voted general obligation bonds for the purpose of constructing a new elementary school building and a new high school building. \$1,545,000 were issued as serial bonds with interest rates ranging from 4.4 percent to 4.85 percent. \$2,600,000 were issued as term bonds with an interest rate of 5.5 percent.

These term bonds were refunded in fiscal year 2007 with proceeds of the 2006 School Improvement Refunding Bonds, as described below. \$80,928 was issued as capital appreciation bonds. The bonds were issued for a 23 year period, with final maturity December 1, 2022. The bonds will be retired from the Bond Retirement Debt Service Fund.

The capital appreciation bonds will mature in fiscal years 2012 and 2013. The maturity amount of the bonds is \$400,000. For fiscal year 2010, \$36,617 was accreted on the capital appreciation bonds for a total outstanding bond value for the entire issue of \$473,899 at fiscal year-end.

*2006 School Improvement Refunding Bonds* – On May 11, 2006, the School District issued \$2,599,999 of general obligation bonds for the purpose of refunding a portion (the term bonds only) of the 2000 School Improvement Bonds. Of the Refunding Bonds, \$2,585,000 are serial bonds with interest rates ranging from 3.65 to 4.75 percent and \$14,999 is a capital appreciation bond with an interest rate of 4.3 percent. The bonds were issued for a 17 year period, with final maturity in December, 2022. The bonds will be retired from the Bond Retirement Debt Service Fund.

The serial bonds maturing on and after December 1, 2016 are subject to optional redemption, commencing June 1, 2016 at 100 percent of the face value of the bonds.

The capital appreciation bond is not subject to prior redemption. The bond will mature December 1, 2015. The maturity amount of the capital appreciation bond will be \$245,000. For fiscal year 2010, \$10,263 was accreted on the capital appreciation bond.

The refunding resulted in a difference of \$161,100 between the net carrying amount of the debt and the acquisition price. The difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The refunded bonds of \$2,600,000 outstanding at June 30, 2010, will be paid in full on December 1, 2010.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 15 – LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$215,000	\$116,051	\$0	\$0	\$215,000	\$116,051
2012	25,000	110,444	43,264	156,736	68,264	267,180
2013	25,000	109,444	37,664	162,336	62,664	271,780
2014	220,000	103,719	0	0	220,000	103,719
2015	235,000	92,913	0	0	235,000	92,913
2016-2020	1,055,000	259,309	14,999	230,001	1,069,999	489,310
2021-2023	915,000	62,663	0	0	915,000	62,663
Totals	<u>\$2,690,000</u>	<u>\$854,543</u>	<u>\$95,927</u>	<u>\$549,073</u>	<u>\$2,785,927</u>	<u>\$1,403,616</u>

Compensated absences and capital leases will be paid from the General Fund.

The School District's overall legal debt margin was \$13,550,249 with an unvoted debt margin of \$647,889 at June 30, 2010.

**NOTE 16 – INTERFUND ACTIVITY**

As of June 30, 2010, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<b>Receivable</b>
	General Fund
<b>Payable</b>	
Other Governmental Funds	<u>\$27,448</u>

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 16 – INTERFUND ACTIVITY** (continued)

Transfers made during the fiscal year ended June 30, 2010 were as follows:

	<b>Transfers From</b>
	General Fund
	<hr/>
<b>Transfers To</b>	
Other Governmental Funds	<u><u>\$401,015</u></u>

For fiscal year 2010, General Fund transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

**NOTE 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, Jackson, Vinton, Pickaway, Gallia and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent.

The School District paid SCOCA \$166,322 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**Pickaway-Ross County Career and Technology Center**

The Pickaway-Ross County Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of 11 representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. The Technology Center provides vocational instruction to students in both Pickaway and Ross Counties. To obtain financial information write to the Pickaway-Ross County Career and Technology Center, Ben Van Horn who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.



*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 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 12 city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members. The Council possesses its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

**Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools (the “Coalition”) is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for School District administrative personnel; gathers data regarding education conditions in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for School District personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District paid \$325 to the Coalition for services provided during the fiscal year. To obtain financial information, write to the Ohio University, who acts as fiscal agent, at McCracken Hall, Room 119E, Athens, Ohio 45701.

**NOTE 18 – INSURANCE PURCHASING POOLS**

**Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan**

The School District participates in a group rating plan for workers’ compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group insurance purchasing pool.

The GRP’s business and affairs are conducted by a five member Board of Directors. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 18 – INSURANCE PURCHASING POOLS** (continued)

**Ohio School Plan**

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the OSP to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing for the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

**NOTE 19 – CLAIMS SERVICING POOL**

**Ross County School Employees Insurance Consortium**

The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a public entity shared risk pool consisting of six school districts and one educational service center within Ross County and its surrounding area. Medical/surgical insurance is administered through a third party administrator, Medical Mutual. 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 Ross-Pike Educational Service District, Erin Kirby who serves as Treasurer, at 475 Western Avenue, Suite E, Chillicothe, Ohio 45601.

**NOTE 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 instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 20 – SET-ASIDE CALCULATIONS** (continued)

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

	Textbooks and Instructional Materials	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2009	\$191,156	\$0
Current Fiscal Year Set-aside Requirement	342,152	342,152
Current Fiscal Year Offsets	0	(280,313)
Qualifying Disbursements	(142,579)	(205,350)
Set-aside Reserve Balance as of June 30, 2010	\$390,729	(\$143,511)
Required Set-aside Balance Carried Forward to FY 2011	\$390,729	\$0

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount below zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**NOTE 21 – CONTINGENCIES**

**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, 2010.

**Litigation**

The School District is currently party to legal proceedings. However, in the opinion of management, the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 22 – RESTATEMENT OF PRIOR YEAR NET ASSETS**

For fiscal year 2010, a restatement of long-term liabilities was necessary due to a change in the estimate for compensated absences relating to GASB Statement No. 16.

The effect of these changes resulted in the following restatement of net assets:

	Governmental Activities
Net Assets, June 30, 2009	\$31,280,922
Restatement of Long-Term Liabilities - Due Within One Year	(13,499)
Restatement of Long-Term Liabilities - Due In More Than One Year	(450,417)
Net Assets, June 30, 2009, as Restated	<u>\$30,817,006</u>

Union Scioto Local School District  
 Ross County  
 Schedule of Federal Awards Receipts and Expenditures  
 For the Fiscal Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 380,344	\$ 43,120	\$ 380,344	\$ 43,120
School Breakfast Program	3L70	10.553	112,136	-	112,136	-
Child Care Food Program	3L80	10.558	1,949	-	1,949	-
Total Nutrition Cluster			494,429	43,120	494,429	43,120
<b>Total United States Department of Agriculture</b>			494,429	43,120	494,429	43,120
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	375,116	-	376,937	-
Title I Grants to Local Education Agencies, ARRA	3DK0	84.389	43,087	-	66,097	-
Total Title I, Part A Cluster			418,203	-	443,034	-
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	331,313	-	364,313	-
Special Education - Grants to States, ARRA	3DJ0	84.391	186,507	-	141,991	-
Total Special Education Cluster			517,820	-	506,304	-
<i>Safe and Drug-Free Schools and Communities -</i>						
State Grants	3D10	84.186	1,139	-	2,373	-
Education Technology State Grants	3S20	84.318	2,186	-	1,886	-
Improving Teacher Quality State Grants	3Y60	84.367	73,009	-	73,908	-
State Fiscal Stabilization Fund, ARRA	GRF	84.394	635,683	-	635,683	-
<b>Total United States Department of Education</b>			1,648,040	-	1,663,188	-
<b>Total Federal Financial Assistance</b>			\$ 2,142,469	\$ 43,120	\$ 2,157,617	\$ 43,120

See accompanying notes to the schedule of federal awards receipts and expenditures.

**Union Scioto Local School District**  
*Notes to the Schedule of Federal Awards Receipts and Expenditures*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

**NOTE C – FOOD DONATION**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received as assessed by the U.S. Department of Agriculture.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Members of the Board  
Union Scioto Local School District  
1565 Egypt Pike  
Chillicothe, Ohio 45601

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Union Scioto Local School District, Ross County, Ohio, (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 29, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect 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 or other matters we must report under *Government Auditing Standards*.

Members of the Board

Union Scioto Local School District

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Page 2

We intend this report solely for the information and use of the audit committee, Board of Education, management and federal awarding agencies, pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 29, 2010





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

Members of the Board  
Union Scioto Local School District  
1565 Egypt Pike  
Chillicothe, Ohio 45601

**Compliance**

We have audited the compliance of Union Scioto Local School District, Ross County, Ohio (the 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 could directly and materially affect each of Union Scioto Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

The School District's management 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 School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Members of the Board

Union Scioto Local School District

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

Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
December 29, 2010

**Union Scioto Local School District**  
*Schedule of Findings*  
*OMB Circular A-133 Section .505*  
*June 30, 2010*

Summary of Auditor's Results
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Program(s) (list):	Title I Cluster: Title I - CFDA #84.010 Title I (ARRA) – CFDA #84.389  Special Education Cluster: Title VI-B - CFDA #84.027 Title VI-B (ARRA) - CFDA #84.391  Fiscal Stabilization Fund (ARRA) - CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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# Dave Yost • Auditor of State

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  
JULY 26, 2011