



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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UNION SCIOTO LOCAL SCHOOL DISTRICT  
ROSS COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2013  
Fiscal Year Audited Under GAGAS: 2013





# 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, 2012 through June 30, 2013. 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 cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

March 20, 2014

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**UNION SCIOTO LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Scioto Local School District, Ross County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Scioto Local School District, Ross County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 24 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standards Board Statements (GASB) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) presents 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 also not a required part of the basic financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and on compliance, and the results of that testing and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 11, 2013

***Union Scioto Local School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
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, 2013. 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 2013 are as follows:

- In total, Net Position decreased \$787,493 from the prior fiscal year.
- General revenues accounted for \$14,468,516. Program specific revenues in the form of Charges for Services and Sales and Operating Grants and Contributions accounted for \$6,435,726 of total revenues of \$20,904,242.
- The School District had \$21,691,735 in expenses related to governmental activities; only \$6,435,726 of these expenses were offset by program specific charges for services, sales, grants, and contributions. General revenues (primarily taxes and grants and entitlements) of \$14,468,516 were insufficient to provide 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 Position 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, 2013  
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 2013?” The Statement of Net Position 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 deferred outflows of resources and liabilities and deferred inflows of resources 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 Position and changes in net position. This change in Net Position 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 Position 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 eleven. 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 major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

***Union Scioto Local School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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*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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

*Proprietary Fund*

Proprietary funds use the same basis of accounting as business-type activities. The Internal Service Fund is used to report the vision 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 Position provides the perspective of the School District as a whole.

**Union Scioto Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Table 1 provides a summary of the School District's Net Position for fiscal years 2013 compared to 2012:

	<u>Governmental Activities</u>		Increase (Decrease)
	<u>2013</u>	<u>2012</u>	
<b><u>Assets:</u></b>			
Current and			
Other Assets	\$21,897,437	\$19,629,631	\$2,267,806
Capital Assets, Net	23,154,089	22,563,793	590,296
<b>Total Assets</b>	<b><u>45,051,526</u></b>	<b><u>42,193,424</u></b>	<b><u>2,858,102</u></b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred Charge on Refunding	94,439	103,962	(9,523)
<b><u>Liabilities:</u></b>			
Other Liabilities	3,236,698	2,269,772	966,926
Long-Term Liabilities	8,315,355	5,635,237	2,680,118
<b>Total Liabilities</b>	<b><u>11,552,053</u></b>	<b><u>7,905,009</u></b>	<b><u>3,647,044</u></b>
<b><u>Deferred Inflows of Resources</u></b>			
Property Taxes	2,739,989	2,750,961	(10,972)
<b><u>Net Position:</u></b>			
Net Investment in			
Capital Assets	18,310,439	19,631,289	(1,320,850)
Restricted	2,336,530	1,344,698	991,832
Unrestricted	10,206,954	10,665,429	(458,475)
<b>Total Net Position</b>	<b><u>\$30,853,923</u></b>	<b><u>\$31,641,416</u></b>	<b><u>(\$787,493)</u></b>

A significant increase occurred within Current and Other Assets from the prior fiscal year. The most significant increase was in Equity in Pooled Cash and Cash Equivalents, which increased \$2,135,973. This increase stemmed from the School District receiving \$3.25 million during fiscal year 2013 due to the lease-purchase agreement for the new junior high addition and the phone system lease, yet not spending all of the monies as of fiscal year-end. Capital Assets, Net, increased \$590,296 primarily due to current year additions and construction in progress exceeding depreciation.

Total liabilities of the School District increased \$3,647,044 from the prior fiscal year. Other Liabilities increased \$966,926 which primarily resulted from a significant increase in contracts and retainage payable associated with the new junior high addition and the phone system lease. Long-Term Liabilities increased \$2,680,118 due to the increase in capital lease obligations also associated with the new junior high addition and the phone system lease.

**Union Scioto Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**  
**Unaudited**

Net Investment in Capital Assets decreased \$1,320,850 due to the additional outstanding lease, contracts, and retainage payable obligations associated with the new junior high addition and the phone system lease. Restricted Net Position increased due an increase in Title I program funding, yet not spending all of those monies by fiscal year end. Restricted Net Position also increased due to tax revenues and reimbursements exceeding expenses in the Classroom Facilities Special Revenue Fund. The decrease in Unrestricted Net Position was mostly related to a decrease in the Net Position of the Internal Service fund due to increased claims payments during fiscal year 2013.

Table 2 shows the changes in Net Position for fiscal years 2013 and 2012.

Table 2  
Changes in Net Position

	Governmental Activities		Increase (Decrease)
	2013	2012 *	
<b><u>Revenues:</u></b>			
Program Revenues:			
Charges for Services and Sales	\$3,856,675	\$3,686,974	\$169,701
Operating Grants and Contributions	2,579,051	2,565,782	13,269
Total Program Revenues	<u>6,435,726</u>	<u>6,252,756</u>	182,970
General Revenues:			
Income Taxes	1,190,357	1,136,296	54,061
Property Taxes	3,632,700	3,034,025	598,675
Grants and Entitlements not Restricted to			
Specific Programs	9,556,311	9,547,210	9,101
Investment Earnings	(74,144)	151,573	(225,717)
Miscellaneous	163,292	76,550	86,742
Total General Revenues	<u>14,468,516</u>	<u>13,945,654</u>	522,862
<i>Total Revenues</i>	<u>\$20,904,242</u>	<u>\$20,198,410</u>	\$705,832

(continued)

**Union Scioto Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**  
**Unaudited**

Table 2  
Changes in Net Position  
(continued)

	Governmental Activities		Increase (Decrease)
	2013	2012	
<b><u>Program Expenses:</u></b>			
Instruction			
Regular	\$11,663,713	\$11,841,112	(\$177,399)
Special	1,877,253	1,647,752	229,501
Vocational	67,381	23,059	44,322
Support Services			
Pupils	814,732	855,823	(41,091)
Instructional Staff	572,532	665,718	(93,186)
Board of Education	921,590	833,722	87,868
Administration	1,118,038	1,115,239	2,799
Fiscal	478,424	471,287	7,137
Business	21,043	20,029	1,014
Operation and Maintenance of Plant	1,511,169	1,415,385	95,784
Pupil Transportation	977,198	910,710	66,488
Central	88,998	130,917	(41,919)
Operation of Non-Instructional Services	1,040,244	986,896	53,348
Extracurricular Activities	275,078	244,358	30,720
Interest and Fiscal Charges	264,342	211,388	52,954
<i>Total Expenses</i>	<u>21,691,735</u>	<u>21,373,395</u>	<u>318,340</u>
<i>Change in Net Position</i>	(787,493)	(1,174,985)	387,492
<i>Net Position at Beginning of Year</i>	<u>31,641,416</u>	<u>32,816,401</u>	<u>(1,174,985)</u>
<i>Net Position at End of Year</i>	<u><u>\$30,853,923</u></u>	<u><u>\$31,641,416</u></u>	<u><u>(\$787,493)</u></u>

\* Certain reclassifications were made for consistency of reporting between years.

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted Intergovernmental Revenues were \$6,435,726 for fiscal year 2013. Charges for Services and Sales increased mostly due to an increase in customer sales and service. This was primarily the result of additional food service sales compared to fiscal year 2012.

As previously mentioned, general revenues were \$14,468,516 for fiscal year 2013. The majority of these revenues are in the form of grants and entitlements not restricted to specific programs, and property and income 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.

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

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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.

As should be expected, instruction costs represent the largest of the School District's expenses for fiscal year 2013. The largest increase occurred within special instruction when compared to the prior fiscal year. This increase is due to the School District moving some personnel expenses to Special Instruction from other line items to more accurately reflect their duties. These modifications were made in anticipation of changes that are coming from the Ohio Department of Education.

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.



*Union Scioto Local School District*  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,643,629 and expenditures of \$21,858,864.

The General Fund balance increased \$194,622. When comparing revenues and expenditures for fiscal year 2013 to those of fiscal year 2012, the most significant revenue increase can be found in Property Taxes. Property Taxes increased \$560,464, which is due to a timing difference as to when tax revenue is recognized for financial reporting compared to when tax monies are actually collected and received. Both Regular and Special Instruction increased by \$635,767 and \$153,080, respectively, compared to fiscal year 2012. Regular Instruction increased due to the General Fund absorbing the majority of the program costs that were previously covered by the Education Jobs program, which concluded at the end of fiscal year 2012. Special Instruction increased due to the School District moving some personnel expenses to Special Instruction from other line items to more accurately reflect their duties.

The Permanent Improvement Fund balance increased \$1,647,766, mainly due to the School District receiving monies resulting from the lease-purchase agreement for the new junior high addition and the phone system lease, yet not spending all of the monies as of fiscal year-end.

### **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 2013, 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 a change in revenues from the original budget to the final budget, a decrease of \$382,132. The primary decrease occurred in Intergovernmental Revenue, which was the result of a drop in student enrollment and a possible corresponding decrease in State funding. There was a significant change for revenues from the final budget to actual revenues received of \$466,957. The primary increase occurred in Intergovernmental Revenue. After decreasing estimate due to a drop in student enrollment, actual monies received were higher than the revised estimate.

The increase in expenditures from the original to the final budget is \$900,000. The main increase occurred in Debt Service Principal and Interest, which was the result of the School District estimating the payment associated with the new lease-purchase agreement associated with the new junior high addition and the phone system lease. However, the total difference in actual expenditures made from the final budget was \$945,386. This was due to conservative estimates by the Treasurer.

***Union Scioto Local School District***  
Management's Discussion and Analysis  
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Actual General Fund revenues and Other Financing Sources were less than Expenditures and Other Financing Uses by \$303,021.

The School District's ending unobligated cash balance was \$1,381,079 above the final budgeted amount.

**Capital Assets**

At the end of fiscal year 2013, the School District had \$23,154,089 invested in capital assets (net of accumulated depreciation). For further information regarding the School District's capital assets, refer to Note 10 in the Notes to the Basic Financial Statements.

**Debt Administration**

At June 30, 2013, the School District had \$2,557,567 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 \$131,567 in bond premium relating to the general obligation debt. In addition, the School District's long-term obligations include capital leases in the amount of \$3,327,917 and compensated absences of \$2,298,304.

The School District's overall legal debt margin was \$14,549,283, with an unvoted debt margin of \$184,115 at June 30, 2013.

For further information regarding the School District's debt obligations, refer to Note 16 in the Notes to the Basic Financial Statements.

**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.

This commitment to excellence was demonstrated recently when Unioto High School was ranked number 113 out of the 892 high schools in Ohio and the top in Ross County in four separate areas according to U.S. News and World Report. Further the magazine ranked Unioto High School 2,107 among over 21,000 high schools in the nation.

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

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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.

The School District has emerged as a leader in the state by taking part in the Race to the Top initiative as well as piloting a state program entitled Thinkgate. Thinkgate is an online tool that allows teachers and administrators to enter and analyze data relating to the academic growth of students and tailor their instruction accordingly

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.

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 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.

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

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In an effort to allow for expansion of critical elementary programs and align students in a more educationally friendly middle school environment, the School District undertook an expansion project of converting the Junior High School building to a new Middle School beginning in the spring of 2013. This project which was budgeted at \$3.25 million resulted in 9 new classrooms which enabled the 6th graders to move from the elementary complex to the Middle School beginning with the 2013-2014 school year. The additional classroom space at the elementary building is utilized to expand the Pre-school program and provide additional rooms for existing elementary programs. This project also included an installation of an IP voice over phone system for the entire district

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.

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 will seek renewal of this tax in May of 2014.

The latest state budget projections indicate the School District will receive just over \$9.8 million in formula funding. This is still a decrease from the \$10 million the district received in fiscal year 2010.

In addition the School District has also had to incur the loss of \$131,000 in tangible personal property reimbursements over the past few years.

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 continues 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 Position  
June 30, 2013

	Governmental Activities
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$17,216,956
Cash and Cash Equivalents with Fiscal Agent	391,310
Materials and Supplies Inventory	2,805
Inventory Held for Resale	7,684
Accrued Interest Receivable	32,571
Accounts Receivable	2,943
Intergovernmental Receivable	561,645
Prepaid Items	13,183
Income Taxes Receivable	512,390
Property Taxes Receivable	3,155,950
Capital Assets:	
Land	444,360
Construction in Progress	1,830,044
Depreciable Capital Assets, Net	20,879,685
<i>Total Assets</i>	45,051,526
<b><u>Deferred Outflows of Resources</u></b>	
Deferred Charge on Refunding	94,439
<b><u>Liabilities:</u></b>	
Accounts Payable	55,699
Contracts Payable	638,600
Accrued Wages and Benefits Payable	1,987,192
Intergovernmental Payable	336,345
Accrued Interest Payable	16,120
Personal Leave Balance Payable	849
Matured Compensated Absences Payable	98,182
Retainage Payable	94,158
Claims Payable	9,553
Long-Term Liabilities:	
Due Within One Year	885,991
Due Within More Than One Year	7,429,364
<i>Total Liabilities</i>	11,552,053
<b><u>Deferred Inflows of Resources</u></b>	
Property Taxes	2,739,989
<b><u>Net Position:</u></b>	
Net Investment in Capital Assets	18,310,439
Restricted for:	
Debt Service	409,754
Capital Projects	777,453
Classroom Facilities	611,883
Title I	262,521
Food Service	122,112
Other Purposes	152,807
Unrestricted	10,206,954
<i>Total Net Position</i>	\$30,853,923

See accompanying notes to the basic financial statements

**Union Scioto Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b><u>Governmental Activities:</u></b>				
Instruction:				
Regular	\$11,663,713	\$3,176,486	\$255,742	(\$8,231,485)
Special	1,877,253	14,820	1,413,637	(448,796)
Vocational	67,381	0	123	(67,258)
Support Services:				
Pupils	814,732	0	341,834	(472,898)
Instructional Staff	572,532	0	1,924	(570,608)
Board of Education	921,590	25,284	5,400	(890,906)
Administration	1,118,038	42,652	0	(1,075,386)
Fiscal	478,424	0	0	(478,424)
Business	21,043	0	0	(21,043)
Operation and Maintenance of Plant	1,511,169	12,599	0	(1,498,570)
Pupil Transportation	977,198	0	71,902	(905,296)
Central	88,998	0	0	(88,998)
Operation of Non-Instructional Services	1,040,244	505,006	488,489	(46,749)
Extracurricular Activities	275,078	79,828	0	(195,250)
Interest and Fiscal Charges	264,342	0	0	(264,342)
<b>Total Governmental Activities</b>	<b>\$21,691,735</b>	<b>\$3,856,675</b>	<b>\$2,579,051</b>	<b>(15,256,009)</b>
<b><u>General Revenues:</u></b>				
				1,190,357
Income Taxes				1,190,357
Property Taxes Levied for:				
General Purposes				3,286,103
Debt Service				287,986
Capital Outlay				58,611
Grants and Entitlements not Restricted to Specific Programs				9,556,311
Investment Earnings				(74,144)
Miscellaneous				163,292
<b>Total General Revenues</b>				<b>14,468,516</b>
<b>Change in Net Position</b>				<b>(787,493)</b>
<b>Net Position at Beginning of Year</b>				<b>31,641,416</b>
<b>Net Position at End of Year</b>				<b>\$30,853,923</b>

See accompanying notes to the basic financial statements

**Union Scioto Local School District**

Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$12,830,965	\$2,877,339	\$1,322,060	\$17,030,364
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	4,006	0	0	4,006
Receivables:				
Property Taxes	2,855,473	0	300,477	3,155,950
Income Taxes	512,390	0	0	512,390
Intergovernmental	29,603	0	532,042	561,645
Accounts	1,041	0	1,902	2,943
Interfund	97,264	0	0	97,264
Accrued Interest	32,571	0	0	32,571
Prepaid Items	13,183	0	0	13,183
Materials and Supplies Inventory	0	0	2,805	2,805
Inventory Held for Resale	0	0	7,684	7,684
<b>Total Assets</b>	<b>\$16,376,496</b>	<b>\$2,877,339</b>	<b>\$2,166,970</b>	<b>\$21,420,805</b>
<b><u>Liabilities:</u></b>				
Accounts Payable	\$33,271	\$14,291	\$8,137	\$55,699
Accrued Wages and Benefits Payable	1,728,056	0	170,138	1,898,194
Contracts Payable	0	638,600	0	638,600
Retainage Payable	0	94,158	0	94,158
Intergovernmental Payable	311,592	0	24,753	336,345
Interfund Payable	0	0	97,264	97,264
Personal Leave Balances Payable	849	0	0	849
Matured Compensated Absences Payable	98,182	0	0	98,182
<b>Total Liabilities</b>	<b>2,171,950</b>	<b>747,049</b>	<b>300,292</b>	<b>3,219,291</b>
<b><u>Deferred Inflows of Resource:</u></b>				
Property Taxes	2,479,996	0	259,993	2,739,989
Unavailable Revenue	162,960	0	443,346	606,306
<b>Total Deferred Inflows of Resources</b>	<b>2,642,956</b>	<b>0</b>	<b>703,339</b>	<b>3,346,295</b>
<b><u>Fund Balances:</u></b>				
Nonspendable	17,189	0	2,805	19,994
Restricted	0	1,694,152	1,217,651	2,911,803
Assigned	1,018,698	436,138	0	1,454,836
Unassigned (Deficit)	10,525,703	0	(57,117)	10,468,586
<b>Total Fund Balances</b>	<b>11,561,590</b>	<b>2,130,290</b>	<b>1,163,339</b>	<b>14,855,219</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$16,376,496</b>	<b>\$2,877,339</b>	<b>\$2,166,970</b>	<b>\$21,420,805</b>

See accompanying notes to the basic financial statements

**Union Scioto Local School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2013

**Total Governmental Fund Balances** \$14,855,219

***Amounts reported for governmental activities in the  
 Statement of Net Position 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	
Construction in Progress	1,830,044	
Depreciable capital assets	39,205,871	
Accumulated depreciation	<u>(18,326,186)</u>	
Total capital assets		23,154,089

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	85,494	
Income taxes	76,238	
Intergovernmental	435,042	
Accrued interest	<u>9,532</u>	
		606,306

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 Position. 475,345

Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and, therefore are not reported in the funds. 94,439

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	(2,439,999)	
Accretion on bonds	(117,568)	
Accrued interest on bonds	(16,120)	
Premium on refunding	(131,567)	
Capital leases	(3,327,917)	
Compensated absences	<u>(2,298,304)</u>	
Total liabilities		<u>(8,331,475)</u>

**Net Position of Governmental Activities** \$30,853,923

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, 2013

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$3,298,547	\$0	\$347,897	\$3,646,444
Income Taxes	1,191,006	0	0	1,191,006
Intergovernmental	10,125,946	0	1,724,279	11,850,225
Investment Earnings	(70,365)	0	2	(70,363)
Tuition and Fees	3,191,306	0	0	3,191,306
Rent	12,599	0	0	12,599
Extracurricular Activities	42,652	0	79,828	122,480
Contributions and Donations	0	0	6,350	6,350
Customer Sales and Services	25,284	0	505,006	530,290
Miscellaneous	159,133	0	4,159	163,292
<i>Total Revenues</i>	<u>17,976,108</u>	<u>0</u>	<u>2,667,521</u>	<u>20,643,629</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	10,114,124	111,366	243,008	10,468,498
Special	1,138,045	0	621,908	1,759,953
Vocational	10,204	0	0	10,204
Support Services:				
Pupils	458,776	0	323,510	782,286
Instructional Staff	544,258	0	1,900	546,158
Board of Education	915,129	0	5,400	920,529
Administration	1,037,112	0	0	1,037,112
Fiscal	446,843	0	8,343	455,186
Business	20,556	0	0	20,556
Operation and Maintenance of Plant	1,451,013	0	65,285	1,516,298
Pupil Transportation	819,879	0	11,055	830,934
Operation of Non-Instructional Services	2,076	0	985,499	987,575
Extracurricular Activities	140,693	0	81,510	222,203
Capital Outlay	0	1,590,868	0	1,590,868
Debt Service:				
Principal Retirement	326,145	0	62,664	388,809
Interest and Fiscal Charges	49,915	0	271,780	321,695
<i>Total Expenditures</i>	<u>17,474,768</u>	<u>1,702,234</u>	<u>2,681,862</u>	<u>21,858,864</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>501,340</u>	<u>(1,702,234)</u>	<u>(14,341)</u>	<u>(1,215,235)</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Inception of Capital Lease	0	3,250,000	0	3,250,000
Transfers In	0	100,000	26,718	126,718
Transfers Out	(306,718)	0	0	(306,718)
<i>Total Other Financing Sources (Uses)</i>	<u>(306,718)</u>	<u>3,350,000</u>	<u>26,718</u>	<u>3,070,000</u>
<i>Net Change in Fund Balances</i>	194,622	1,647,766	12,377	1,854,765
<i>Fund Balances at Beginning of Year</i>	<u>11,366,968</u>	<u>482,524</u>	<u>1,150,962</u>	<u>13,000,454</u>
<i>Fund Balances at End of Year</i>	<u>\$11,561,590</u>	<u>\$2,130,290</u>	<u>\$1,163,339</u>	<u>\$14,855,219</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, 2013

**Net Change in Fund Balances - Total Governmental Funds** \$1,854,765

**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	131,127	
Construction in progress additions	1,830,044	
Depreciation expense	(1,370,875)	
Excess of capital asset additions over depreciation expense		590,296

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

Delinquent property taxes	(13,744)	
Income taxes	(649)	
Intergovernmental	278,785	
Investment earnings	(3,779)	
		260,613

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. (755,648)

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 Position, the lease obligation is reported as a liability. (3,250,000)

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 Position. In the current fiscal year, these amounts consist of:

Bond principal retirement	62,664	
Redemption of accretion on capital appreciation bonds	162,336	
Capital leases	326,145	
Total long-term debt repayment		551,145

Accretion and amortization of bond premiums, the deferred gain/loss on the refunding of debt, are not reported in the funds, but is allocated as an expense over the life of the debt in the Statement of Activities.

Amortization of deferred charges on refunding	(9,523)	
Amortization of bond premium	13,268	
Accretion of Capital Appreciation Bonds	(60,850)	
		(57,105)

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	66,319	
Increase in accrued interest payable	(47,878)	
		18,441

**Change in Net Position of Governmental Activities** (\$787,493)

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, 2013

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$3,278,481	\$3,268,007	\$3,270,880	\$2,873
Income Taxes	1,153,964	1,158,159	1,158,159	0
Intergovernmental	10,191,770	9,842,132	10,127,450	285,318
Investment Earnings	65,000	65,000	115,792	50,792
Tuition and Fees	3,159,547	3,147,085	3,190,678	43,593
Rent	13,000	13,000	12,599	(401)
Customer Sales and Services	25,000	25,000	25,284	284
Miscellaneous	70,000	56,247	140,745	84,498
<i>Total Revenues</i>	17,956,762	17,574,630	18,041,587	466,957
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	10,214,679	10,214,679	9,751,818	462,861
Special	987,617	987,617	1,083,106	(95,489)
Vocational	20,801	20,801	10,204	10,597
Support Services:				
Pupils	509,888	509,888	457,651	52,237
Instructional Staff	753,791	753,791	591,617	162,174
Board of Education	984,141	984,141	1,165,346	(181,205)
Administration	1,020,538	1,020,538	1,030,386	(9,848)
Fiscal	482,687	482,687	491,252	(8,565)
Business	88,789	88,789	141,970	(53,181)
Operation and Maintenance of Plant	1,572,681	1,572,681	1,858,935	(286,254)
Pupil Transportation	967,430	967,430	853,283	114,147
Operation of Non-Instructional Services	1,656	1,656	2,080	(424)
Extracurricular Activities	156,701	156,701	135,026	21,675
Capital Outlay	291,693	0	104,700	(104,700)
Debt Service:				
Principal Retirement	0	1,183,642	289,605	894,037
Interest and Fiscal Charges	0	8,051	40,727	(32,676)
<i>Total Expenditures</i>	18,053,092	18,953,092	18,007,706	945,386
<i>Excess of Revenues Over (Under) Expenditures</i>	(96,330)	(1,378,462)	33,881	1,412,343
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from Sale of Capital Assets	1,000	1,000	0	(1,000)
Transfers Out	(497,000)	(497,000)	(430,000)	67,000
Advances In	190,362	190,362	190,362	0
Advances Out	0	0	(97,264)	(97,264)
<i>Total Other Financing Sources (Uses)</i>	(305,638)	(305,638)	(336,902)	(31,264)
<i>Net Change in Fund Balance</i>	(401,968)	(1,684,100)	(303,021)	1,381,079
<i>Fund Balance at Beginning of Year</i>	11,263,846	11,263,846	11,263,846	0
<i>Prior Year Encumbrances Appropriated</i>	713,738	713,738	713,738	0
<i>Fund Balance at End of Year</i>	\$11,575,616	\$10,293,484	\$11,674,563	\$1,381,079

See accompanying notes to the basic financial statements

**Union Scioto Local School District**  
Statement of Fund Net Position  
Internal Service Fund  
June 30, 2013

	<u>Self-Insurance</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$182,586
Cash and Cash Equivalents with Fiscal Agent	<u>391,310</u>
<i>Total Assets</i>	<u>573,896</u>
<b><u>Liabilities:</u></b>	
Accrued Benefits	88,998
Claims Payable	<u>9,553</u>
<i>Total Liabilities</i>	<u>98,551</u>
<b><u>Net Position:</u></b>	
Unrestricted	<u><u>\$475,345</u></u>

See accompanying notes to the basic financial statements

**Union Scioto Local School District**  
Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2013

	Self-Insurance
<b><u>Operating Revenues:</u></b>	
Charges for Services	\$43,367
<b><u>Operating Expenses:</u></b>	
Purchased Services	786,978
Claims	192,037
<i>Total Operating Expenses</i>	979,015
<i>Loss Before Transfers</i>	(935,648)
Transfers In	180,000
<i>Change in Net Position</i>	(755,648)
<i>Net Position at Beginning of Year</i>	1,230,993
<i>Net Position at End of Year</i>	\$475,345

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, 2013

	<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	\$43,367
Cash Payments to Suppliers for Goods and Services	(828,897)
Cash Payments for Claims	<u>(182,484)</u>
<i>Net Cash Used for Operating Activities</i>	(968,014)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Transfers	<u>180,000</u>
<i>Decrease in Cash and Cash Equivalents</i>	(788,014)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>1,361,910</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$573,896</u></u>
<b><i>Reconciliation of Operating Loss to Net Cash</i></b>	
<b><u>Used for Operating Activities:</u></b>	
Operating Loss	(\$935,648)
<b><i>Adjustments to Reconcile Operating Loss to</i></b>	
<b><u>Net Cash Used for Operating Activities:</u></b>	
Changes in Assets and Liabilities:	
Decrease in Accrued Wages and Benefits	(41,919)
Increase in Claims Payable	<u>9,553</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$968,014)</u></u>

See accompanying notes to the basic financial statements

***Union Scioto Local School District***  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2013

	<u>Student Managed Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$54,938</u></u>
<b><u>Liabilities:</u></b>	
Undistributed Monies	<u><u>\$54,938</u></u>

See accompanying notes to the basic financial statements

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*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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 88 classified employees, 123 certificated teaching personnel, and 12 administrative employees who provide services to 2,235 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 composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. 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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District. The School District has no component units.

The following activities are included with the reporting entity.

*Ross County Christian Academy* - Within the School District boundaries, the Ross County Christian Academy provides classes for pre-school through eighth grade. Current State legislation provides funding to this private school. Monies are received and disbursed on behalf of School District by the Treasurer of the School District, as directed by the academy. The activity of these State monies is reflected in a special revenue fund for financial reporting purposes.

***Union Scioto Local School District***  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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The School District participates in six organizations, three 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:

- South Central Ohio Computer Association Council of Governments (SCOCACoG)
- Pickaway-Ross County Career and Technology Center
- Great Seal Education Network of Tomorrow
- Northern Buckeye Education Council Officials Workers' Compensation Group Rating Plan
- Ohio School Plan
- Ross County School Employees Insurance Consortium.

These organizations are presented in Notes 18, 19 and 20 to the basic financial statements.

**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 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 Position 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 Position 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 usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. However, the School District has no business-type activities.

The Statement of Net Position 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.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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 in 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. 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.

**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. The funds of the School District are divided into three categories; governmental, proprietary, and fiduciary.

*Governmental Funds*

Governmental funds are those through which most governmental functions of the School District 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

The following are the School District's major governmental funds:

General Fund – The General Fund accounts for and reports 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.

Permanent Improvement Fund – The Permanent Improvement Fund is used to account for and report property tax revenues assigned by the Board of Education for the acquiring, constructing, or improving of school facilities or other capital outlays.

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

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
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*Proprietary Fund*

Proprietary fund reporting focuses on the determination of operating income, changes in Net Position, 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. The School District's internal service fund also currently pays a portion of the medical premium costs due for health care coverage due to the School District no longer being self-insured to pay for this coverage.

*Fiduciary Fund*

Fiduciary fund reporting focuses on Net Position and changes in Net Position. 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 a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

*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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in fund net position. 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 inflows and outflows of resources, and in the presentation of expenses versus expenditures.

*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 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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, interest, and grants.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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*Deferred Outflows/Inflows of Resources:*

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, income taxes, interest and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

*Expenses/Expenditures*

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

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.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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 permanent 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".

The School District participated in a claims servicing pool that paid employee health insurance claims on the School District's behalf. The remaining balance of the School District's funds held by the claims administrator and the fiscal agent at June 30, 2013, is presented as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2013, investments were limited to United States Treasury Securities, negotiable certificates of deposit, and 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, 2013.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue, including a decrease in the fair market value of investments, credited to the General Fund during fiscal year 2013 amounted to (\$70,365), which includes (\$15,331) 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 presented on the financial statements as cash equivalents.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**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. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District for unclaimed monies held to be reclaimed by its rightful owner.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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.

**Inventory**

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

**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 Position 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 and construction in progress, 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



*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable/Payable”. Interfund balances are eliminated on the Statement of Net Position.

**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.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the General Fund.

Each year, four personal leave days are provided to all employees. Employees must use those days within one year of the date they are received. If not used within one year, any personal leave hours remaining for each employee automatically converts to sick leave hours. Therefore, any personal leave balance outstanding as of fiscal year-end is recorded as “Personal Leave Balance Payable” on the governmental fund financial statements.

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

**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.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Bond Premiums and Compound Interest on Capital Appreciation Bonds**

In the government-wide financial statements, bond premiums 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 compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period when the debt is issued. Accretion on the capital appreciation bonds is not reported. Interest on capital appreciation bonds is recorded as an expenditure when the debt becomes due.

**Deferred Charge on Refunding**

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the Statement of Net Position.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable*

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

*Restricted*

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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*Committed*

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District's Board of Education. Those committed amounts cannot be used for any other purpose unless the School District's Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned*

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Board of Education. In the general fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute. The Assigned to Principal's are monies collected from various vending machine sales, fees, and donations which are utilized by the Principal's for various student programs. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

*Unassigned*

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Net Position**

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Position restricted for other purposes include food service and federal and State grants restricted to expenditures for specified purposes.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is 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. Interfund payments for 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 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

Fund Balances	General	Permanent Improvement	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Prepays	\$13,183	\$0	\$0	\$13,183
Materials and Supplies				
Inventory	0	0	2,805	2,805
Unclaimed Monies	4,006	0	0	4,006
<b><i>Total Nonspendable</i></b>	<b>17,189</b>	<b>0</b>	<b>2,805</b>	<b>19,994</b>
<b><i>Restricted for</i></b>				
Debt Payment	0	0	418,958	418,958
Food Service Operations	0	0	119,307	119,307
Special Donations	0	0	2,677	2,677
Other Local Grants	0	0	3,981	3,981
Facilities Maintenance	0	0	610,495	610,495
Extracurricular Activities	0	0	6,985	6,985
Ross County Christian Academy	0	0	9,452	9,452
Miscellaneous Federal Grants	0	0	1,101	1,101
Capital Improvements	0	1,694,152	44,695	1,738,847
<b><i>Total Restricted</i></b>	<b>0</b>	<b>1,694,152</b>	<b>1,217,651</b>	<b>2,911,803</b>
<b><i>Assigned to</i></b>				
Capital Improvements	0	436,138	0	436,138
Purchases on Order	974,383	0	0	974,383
Assigned to Principals	44,315	0	0	44,315
<b><i>Total Assigned</i></b>	<b>1,018,698</b>	<b>436,138</b>	<b>0</b>	<b>1,454,836</b>
<b><i>Unassigned (Deficit)</i></b>	<b>10,525,703</b>	<b>0</b>	<b>(57,117)</b>	<b>10,468,586</b>
<b><i>Total Fund Balances</i></b>	<b>\$11,561,590</b>	<b>\$2,130,290</b>	<b>\$1,163,339</b>	<b>\$14,855,219</b>

**NOTE 4 – ACCOUNTABILITY**

At June 30, 2013, the Public School Preschool, Race to the Top, IDEA-B, Title I and Title II-A Improving Teacher Quality Special Revenue Funds had deficit fund balances of \$13,207, \$6,448, \$2,615, \$31,541, and \$3,306, 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, 2013

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**NOTE 5 – 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 restricted, committed, or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).
6. Certain funds are accounted for as a separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$194,622
Adjustments:	
Revenue Accruals	277,926
Expenditure Accruals	332,293
Transfers	(123,282)
Advances	93,098
Encumbrances	(995,702)
Net Decrease in Fair	
Value of Investments - Fiscal Year 2012	(31,582)
Net Decrease in Fair	
Value of Investments - Fiscal Year 2013	(138,134)
Perspective Differences	87,740
Budget Basis	(\$303,021)

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**NOTE 6 – 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.

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 bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio Local Governments;
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;

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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.

At June 30, 2013, the School District had “Cash and Cash Equivalents with Fiscal Agent” on the Statement of Net Position of \$391,310. This is money that was paid to a claims servicing pool that paid 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, \$2,764,051 of the School District’s bank balance of \$3,514,051 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, 2013, the School District had the following investment:

	Fair Value	Investment Maturities Less Than 1 Year	Investment Maturities (in Years) 1 - 2	Investment Maturities (in Years) 3 - 5	S&P Rating	Percent of Total Investments
U.S. Treasury Notes	\$8,077,328	\$0	\$0	\$8,077,328	AA+	58.45%
STAROhio	2,416	2,416	0	0	AAAm	
Negotiable Certificate of Deposits	5,740,498	850,407	1,802,544	3,087,547	----	41.54%
<b>Totals</b>	<b>\$13,820,242</b>	<b>\$852,823</b>	<b>\$1,802,544</b>	<b>\$11,164,875</b>		



*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**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**

The S&P ratings of the School District's investments are listed in the table above. 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 or issued by United States Government sponsored enterprises.

**Concentration of Credit Risk**

The School District's investment policy provides that no more than 25 percent of the interim funds of the School District may be invested in commercial paper or banker's acceptances as authorized by Section 135.142 of the Ohio Revised Code. The percentage that each investment represents of the total investments is listed in the table above.

**NOTE 7 – 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected in calendar year 2013 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.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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, 2013, are available to finance fiscal year 2013 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 and public utility property taxes which are measurable as of June 30, 2013, 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 inflows – property taxes.

The amount available as an advance at June 30, 2013, was \$298,287 in the General Fund and \$32,180 in the Other Governmental Funds. The amount available as an advance at June 30, 2012, was \$270,620 in the General Fund and \$29,145 in the Other Governmental Funds.

On an 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 inflows of resources – unavailable revenue.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second - Half Collections		2013 First - Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$175,471,900	96.38%	\$177,405,800	96.36%
Public Utility Personal	6,583,510	3.62%	6,708,910	3.64%
Total Assessed Value	\$182,055,410	100.00%	\$184,114,710	100.00%
Tax rate per \$1,000 of assessed valuation	\$34.10		\$34.10	

**NOTE 8 – 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, 2013

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**NOTE 9 – RECEIVABLES**

Receivables at June 30, 2013, 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. All receivables, except for delinquent property taxes, are expected to be collected within one year. 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>	
Race to the Top	\$73,004
Title I Grant	366,828
Special Education, Part B-IDEA Grant	39,404
Title II-A, Improving Teacher Quality Grant	22,236
Early Childhood Education Grant	3,620
Misc Federal Grants	26,950
Governmental Reimbursements	<u>29,603</u>
Total Intergovernmental Receivables	<u><u>\$561,645</u></u>

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
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**NOTE 10 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/2012	Additions	Deletions	Balance at 6/30/2013
<b><u>Governmental Activities:</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$444,360	\$0	\$0	\$444,360
Construction in Progress	0	1,830,044	0	1,830,044
Total Capital Assets Not Being Depreciated	444,360	1,830,044	0	2,274,404
Capital Assets Being Depreciated:				
Land Improvements	1,801,813	33,366	0	1,835,179
Buildings and Improvements	33,449,716	43,955	0	33,493,671
Furniture, Fixtures and Equipment	1,554,562	19,505	0	1,574,067
Vehicles	1,728,524	18,349	0	1,746,873
Textbooks and Educational Media	540,129	15,952	0	556,081
Total Capital Assets Being Depreciated	39,074,744	131,127	0	39,205,871
Less Accumulated Depreciation:				
Land Improvements	(801,073)	(88,985)	0	(890,058)
Buildings and Improvements	(13,474,267)	(1,054,103)	0	(14,528,370)
Furniture, Fixtures and Equipment	(799,626)	(115,436)	0	(915,062)
Vehicles	(1,340,216)	(111,022)	0	(1,451,238)
Textbooks and Educational Media	(540,129)	(1,329)	0	(541,458)
Total Accumulated Depreciation	(16,955,311)	(1,370,875) *	0	(18,326,186)
Total Capital Assets Being Depreciated, Net	22,119,433	(1,239,748)	0	20,879,685
Governmental Activities Capital Assets, Net	\$22,563,793	\$590,296	\$0	\$23,154,089

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

Instruction:	
Regular	\$1,164,441
Vocational	563
Support Services:	
Pupils	646
Instructional Staff	902
Board of Education	267
Administration	4,599
Business	487
Operation and Maintenance of Plant	19,880
Pupil Transportation	114,877
Operation of Non-Instructional Services	23,233
Extracurricular Activities	40,980
Total Depreciation Expense	<u><u>\$1,370,875</u></u>

**NOTE 11 – 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 2013, the School District contracted with Ohio Casualty for building and contents and fleet insurance.

During fiscal year 2013, 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 19).

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant change 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, 2013

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**Workers' Compensation**

For fiscal year 2013, the School District participated in the Northern Buckeye Education Council Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). 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, Surgical, Dental, and Vision Benefits**

Medical and surgical insurance is offered to employees through the Ross County School Employees Insurance Consortium. The School District is a member of the Consortium which is considered 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 consortium and coverage's are administered through a third party administrator, Medical Mutual.

Dental and vision insurance is offered to employees through a self-insurance internal service fund and is administered by Meritain Health. Claims are processed through Meritain and billed to the School District.

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

Fiscal Year	Beginning of Year	Claims	Claim Payments	End of Year
2012	\$5,571	\$218,320	\$223,891	\$0
2013	0	192,037	182,484	9,553

**NOTE 12 – DEFINED BENEFIT PENSION PLANS**

**School Employee Retirement System**

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$268,180, \$215,912, and \$93,164, respectively. For fiscal year 2013, 98.15 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has also been contributed for fiscal years 2012 and 2011.

**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 system. 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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.

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011, were \$997,075, \$984,502, and \$1,008,176, respectively. For fiscal year 2013, 86.78 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$13,232 made by the School District and \$9,451 made by the plan members. In addition, member contributions of \$13,274 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

**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, 2013, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 13 – POSTEMPLOYMENT BENEFITS**

**School Employee Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System 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 obligation 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 can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.



**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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 105(e). For fiscal year 2013, 0.16 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 fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$37,882 in surcharge.

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, 2013, 2012, and 2011, were \$49,141, \$41,178, and \$41,958, respectively. For fiscal year 2013, 98.15 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has also been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$15,354, \$12,751, and \$5,995, respectively. For fiscal year 2013, 98.15 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**State Teachers Retirement System of Ohio**

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$76,698, \$75,731, and \$77,552, respectively. For fiscal year 2013, 86.78 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**NOTE 14 – 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. (Teachers payout is limited to \$222 per paid out day.)

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 Dearborn National. 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  
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**NOTE 15 – LEASES – LESSEE DISCLOSURE**

In prior fiscal years, the School District entered into capitalized leases for copiers and a lease-purchase agreement for heating and cooling improvements to the elementary, junior and senior high school buildings. The terms of the agreement for the improvements transfers ownership of the improvements to the School District at the expiration of the lease term. 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. The interest rate is fixed at 3.04 percent. The lease is renewable annually and expires during fiscal year 2014. 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.

During fiscal year 2013, the School District entered into a capitalized lease for an addition to the existing junior high school building and a new phone system. The terms of the agreement transfers ownership of the improvements to the School District at the expiration of the lease term. The School District is leasing the project from the Huntington National Bank. Huntington National Bank will retain title to the project during the lease term. The School District will make semi-annual lease payments to Huntington National Bank. The interest rate is fixed at 2.85 percent. The lease is renewable annually and expires in fiscal year 2023. The intention of the School District is to renew the lease annually and make payments using General Fund dollars. 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. However, since all of the work is not complete under the new improvements and addition lease, it is shown as construction in progress and not subject to depreciation. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in fiscal year 2013 totaled \$326,145 and were paid from the General Fund.

The assets acquired through capital leases as of June 30, 2013, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Copiers	\$184,131	(\$113,548)	\$70,583
HVAC Improvements	903,000	(188,922)	714,078
Totals	\$1,087,131	(\$302,470)	\$784,661

**Union Scioto Local School District**  
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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, 2013:

Fiscal Year Ending June 30,	Total Payments
2014	\$522,525
2015	426,366
2016	380,638
2017	380,638
2018	380,638
2019 - 2023	1,712,872
Total	3,803,677
Less: Amount Representing Interest	(475,760)
Present Value of Net Minimum Lease Payments	\$3,327,917

**NOTE 16 – LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during the fiscal year 2013 were as follows:

	Amounts Outstanding 6/30/12	Additions	Deductions	Amounts Outstanding 6/30/13	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2000 School Improvement					
Bonds - 4.4% to 5.5%					
Capital Appreciation Bonds	\$37,664	\$0	\$37,664	\$0	\$0
Accretion on Capital Appreciation	136,538	25,798	162,336	0	0
2006 School Improvement					
Refunding Bonds - 3.65% to 4.75%					
Serial Bonds	2,450,000	0	25,000	2,425,000	220,000
Capital Appreciation Bonds	14,999	0	0	14,999	0
Accretion on Cap. Apprec.	82,516	35,052	0	117,568	0
Premium on Refunding	144,835	0	13,268	131,567	0
Total General Obligations Bonds	2,866,552	60,850	238,268	2,689,134	220,000
Capital Leases	404,062	3,250,000	326,145	3,327,917	427,598
Compensated Absences	2,364,623	81,823	148,142	2,298,304	238,393
Total Governmental Activities					
Long-Term Obligations	\$5,635,237	\$3,392,673	\$712,555	\$8,315,355	\$885,991

**Union Scioto Local School District**  
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For the Fiscal Year Ended June 30, 2013

*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 capital appreciation bonds matured in fiscal year 2013. The maturity amount of the bonds is \$200,000. For fiscal year 2013, \$25,798 was accreted on the capital appreciation bonds. The capital appreciation bonds were retired by fiscal year-end from the Bond Retirement Debt Service Fund.

*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 are being 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 2013, \$35,052 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 deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method. The refunded bonds of \$2,600,000 from 2000 were paid in full on December 1, 2010.

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$220,000	\$103,719	\$0	\$0	\$220,000	\$103,719
2015	235,000	92,913	0	0	235,000	92,913
2016	0	0	14,999	230,001	14,999	230,001
2017	250,000	81,863	0	0	250,000	81,863
2018	255,000	70,816	0	0	255,000	70,816
2019-2023	1,465,000	169,294	0	0	1,465,000	169,294
Totals	<u>\$2,425,000</u>	<u>\$518,605</u>	<u>\$14,999</u>	<u>\$230,001</u>	<u>\$2,439,999</u>	<u>\$748,606</u>

**Union Scioto Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

The School District's overall legal debt margin was \$14,549,283, with an unvoted debt margin of \$184,115 at June 30, 2013.

**NOTE 17 – INTERFUND ACTIVITY**

As of June 30, 2013, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<b>Receivable</b>	
	General Fund	
	<hr/>	
<b>Payable</b>	Nonmajor Governmental Funds	<u>\$97,264</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.

Transfers made during the fiscal year ended June 30, 2013, were as follows:

	<b>Transfers From</b>	
	General Fund	
	<hr/>	
<b>Transfers To</b>	Internal Service Fund	\$180,000
	Permanent Improvement Fund	100,000
	Nonmajor Governmental Funds	<u>26,718</u>
	Total Transfers	<u>\$306,718</u>

For fiscal year 2013, General Fund transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The transfer to the Internal Service Fund was to help fund the activity for the School District's self-funded dental and vision insurance.

**NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS**

**South Central Ohio Computer Association Council of Governments (SCOCACoG)**

The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG), which is organized under ORC Code Chapter 167 as a regional council of governments. SCOCACoG is an association of public Educational Service Centers within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Educational Service Centers. The governing board of SCOCACoG consists of two representatives from each county in the SCOCACoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCACoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid SCOCACoG \$171,898 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Council of Governments, Sandra Benson, Fiscal Officer, at P.O. Box 596, 175 Beaver Creek Rd., 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 Board exercises total control over the operations of the Technology Center including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. 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.

**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 Board exercises total control over the operations of Council including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

**NOTE 19 – INSURANCE PURCHASING POOLS**

**Northern Buckeye Education Council 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 Northern Buckeye Education Council Compensation Group Rating Plan (GRP) was established 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.

**Ohio School Plan**

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan’s business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan’s administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**NOTE 20 – PUBLIC ENTITY SHARED RISK 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 21 – 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 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, 2013

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

	Capital Acquisitions
Set-aside Balance as of June 30, 2012	\$0
Current Fiscal Year Set-aside Requirement	380,222
Current Fiscal Year Offsets	(380,222)
Set-aside Balance as of June 30, 2013	\$0

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

**NOTE 22 – SIGNIFICANT COMMITMENTS**

**Contractual Commitments**

The School District has entered into the following contracts as of June 30, 2013:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/2013
Quandel	\$2,454,385	\$1,287,384	\$1,167,001
Harrison Planning and Consulting	185,025	170,733	14,292
Totals	\$2,639,410	\$1,458,117	\$1,181,293

**Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$995,702
Permanent Improvement Fund	2,319,234
Nonmajor Governmental Funds	45,354
Total	\$3,360,290

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**NOTE 23 – 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**Litigation**

The School District is not party to any legal proceedings.

**NOTE 24 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."*

*GASB Statement No. 62* incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

*GASB Statement No. 63* provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

*GASB Statement No. 65* properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and /or fund balance.

*GASB Statement No. 66* resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

*Union Scioto Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**NOTE 25 – SUBSEQUENT EVENTS**

On August 19, 2013 the School District entered in to a 5-year lease agreement with the Gordon Flesch Company for copiers. The School District's monthly lease payment is \$4,143. The total payments over the lease period equal \$248,016. This lease will replace the capital lease that was in effect as of June 30, 2013.

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**Union Scioto Local School District**  
**Ross County**  
Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2013

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>Child Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 419,391	\$ 54,118	\$ 419,391	\$ 54,118
School Breakfast Program	3L70	10.553	129,207	-	129,207	-
Total Child Nutrition Cluster			548,598	54,118	548,598	54,118
Child and Adult Care Food Program	3L80	10.558	2,085	-	2,085	-
<b>Total United States Department of Agriculture</b>			550,683	54,118	550,683	54,118
<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	552,755	-	554,746	-
Total Title I, Part A Cluster			552,755	-	554,746	-
<i>Special Education Cluster (IDEA):</i>						
Special Education - Grants to States	3M20	84.027	385,040	-	381,295	-
Total Special Education Cluster			385,040	-	381,295	-
<i>Education Technology State Grants Cluster:</i>						
Education Technology State Grants	3S20	84.318	3,477	-	870	-
Total Education Technology State Grants Cluster			3,477	-	870	-
Title VI Rural and Low Income	FY80	84.358	11,958	-	10,858	-
Improving Teacher Quality State Grants	3Y60	84.367	75,070	-	72,023	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	77,525	-	64,623	-
Education Jobs Fund	3ET0	84.410	68,018	-	63,649	-
<b>Total United States Department of Education</b>			1,173,843	-	1,148,064	-
<b>Environmental Protection Agency</b>						
<i>Passed through Ohio Environmental Protection Agency</i>						
National Clean Diesel Emissions Reduction Program	NA	66.039	11,055		11,055	
<b>Total Environmental Protection Agency</b>			11,055		11,055	
<b>Total Federal Financial Assistance</b>			<b>\$ 1,735,581</b>	<b>\$ 54,118</b>	<b>\$ 1,709,802</b>	<b>\$ 54,118</b>

NA - Not Available

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

**UNION SCIOTO LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DONATION**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture.

**NOTE C – 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.



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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Scioto Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2013, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statements No. 63 and No. 65.

### Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when 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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 11, 2013





# Balestra, Harr & Scherer, CPAs, Inc.

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## **Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133**

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

### **Report on Compliance for the Major Federal Program**

We have audited the Union Scioto Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect the Union Scioto Local School District's major federal program for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

#### **Management's Responsibility**

The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

#### **Opinion on the Major Federal Program**

In our opinion, the Union Scioto Local School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 11, 2013

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

**Schedule of Findings  
OMB Circular A-133 Section §.505  
For the Year Ended June 30, 2013**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material 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 noncompliance 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 Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	<b>Title I, Part A Cluster:</b> Title I Grants to Local Educational Agencies; CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all other
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None Noted

**3. FINDINGS FOR FEDERAL AWARDS**

None Noted



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### Independent Auditor's Report on Applying Agreed-Upon Procedure

Union Scioto Local School District  
Ross County  
1565 Egypt Pike  
Chillicothe, Ohio 45601

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Union Scioto Local School District (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on November 13, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 11, 2013



# 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  
APRIL 3, 2014**