



Balestra, Harr & Scherer, CPAs, Inc.

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, 2011
Fiscal Year Audited Under GAGAS: 2011



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, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

June 12, 2012

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**UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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Balestra, Harr & Scherer, CPAs, Inc.

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

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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

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, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union Scioto Local School District, Ross County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2012 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 23 to the financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



Balestra, Harr & Scherer, CPAs, Inc.
January 12, 2012

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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, 2011. 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 2011 are as follows:

- In total, net assets increased \$786,515 from the prior fiscal year.
- General revenues accounted for \$15,220,938. Program specific revenues in the form of Charges for Services and Sales and Operating Grants and Contributions accounted for \$6,533,966 of total revenues of \$21,754,904.
- The School District had \$20,968,389 in expenses related to governmental activities; only \$6,533,966 of these expenses were offset by program specific charges for services, sales, grants, or contributions. General revenues (primarily taxes and grants and entitlements) of \$15,220,938 were sufficient 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 Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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 2011?” The Statement of Net Assets and the Statement of Activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year’s revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major funds begins on page ten. 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 Education Jobs Grant Special Revenue Fund.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Governmental Funds

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

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 Assets 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, 2011
Unaudited

Table 1 provides a summary of the School District's net assets for fiscal years 2011 compared to 2010:

Table 1 Net Assets			
	Governmental Activities		Increase
	2011	2010	Increase (Decrease)
<u>Assets:</u>			
Current and Current Assets	\$19,520,628	\$18,078,925	\$1,441,703
Capital Assets, Net	23,598,631	24,629,038	(1,030,407)
<i>Total Assets</i>	43,119,259	42,707,963	411,296
<u>Liabilities:</u>			
Other Liabilities	4,131,223	4,230,215	(98,992)
Long-Term Liabilities	6,171,635	6,447,862	(276,227)
<i>Total Liabilities</i>	10,302,858	10,678,077	(375,219)
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	20,407,197	21,012,983	(605,786)
Restricted	2,758,024	2,126,281	631,743
Unrestricted	9,651,180	8,890,622	760,558
<i>Total Net Assets</i>	\$32,816,401	\$32,029,886	\$786,515

Overall, an insignificant increase occurred within total assets from the prior fiscal year. However, components of total assets did have significant changes when compared to the prior fiscal year. Equity in Pooled Cash and Cash Equivalents increased \$737,822 due in part to an increase in revenue from open enrollment students entering the School District and the continued savings in utility costs due to the recently completed House Bill 264 project. Intergovernmental Receivables also increased significantly compared to the prior year due to the School District being awarded, but not yet receiving, the Education Jobs Grant during fiscal year 2011. Capital Assets, Net decreased \$1,030,407 primarily due to current year depreciation exceeding current year additions.

Total liabilities of the School District decreased \$375,219 from the prior fiscal year due primarily to annual debt service payments.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Invested in Capital Assets, Net of Related Debt decreased \$605,786 due to the School District's current year depreciation exceeding current year additions. Restricted Net Assets increased due to the School District receiving, but not expensing, the Education Jobs Grant during fiscal year 2011 along with having a greater requirement for its textbooks and instructional materials set-asides than in the prior fiscal year. Unrestricted Net Assets of the School District demonstrated a significant increase in part to an increase in revenue from open enrollment students entering the School District and the continued savings in utility costs due to the recently completed House Bill 264 project.

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

Table 2
Changes in Net Assets

	Governmental Activities		Increase (Decrease)
	2011	2010	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services and Sales	\$3,134,158	\$2,876,963	\$257,195
Operating Grants and Contributions	3,399,808	2,507,493	892,315
Total Program Revenues	<u>6,533,966</u>	<u>5,384,456</u>	1,149,510
General Revenues:			
Income Taxes	1,107,167	1,059,756	47,411
Property Taxes	3,877,459	3,828,399	49,060
Grants and Entitlements not Restricted to Specific Programs	10,013,366	10,027,980	(14,614)
Unrestricted Contributions and Donations	6,000	20,000	(14,000)
Investment Earnings	60,326	18,227	42,099
Miscellaneous	156,620	118,964	37,656
Total General Revenues	<u>15,220,938</u>	<u>15,073,326</u>	147,612
<i>Total Revenues</i>	<u>\$21,754,904</u>	<u>\$20,457,782</u>	\$1,297,122

(continued)

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2
Changes in Net Assets
(continued)

	Governmental Activities		Increase (Decrease)
	2011	2010	
<i>Program Expenses:</i>			
Instruction			
Regular	\$11,592,474	\$10,305,330	\$1,287,144
Special	1,490,586	1,336,664	153,922
Vocational	10,811	10,718	93
Support Services			
Pupils	1,018,976	895,561	123,415
Instructional Staff	690,431	563,159	127,272
Board of Education	610,485	772,220	(161,735)
Administration	1,199,868	1,197,047	2,821
Fiscal	459,402	439,829	19,573
Business	85,994	39,803	46,191
Operation and Maintenance of Plant	1,415,537	1,384,229	31,308
Pupil Transportation	859,650	902,292	(42,642)
Central	0	6,859	(6,859)
Operation of Non-Instructional Services	1,035,218	930,255	104,963
Extracurricular Activities	284,369	257,695	26,674
Interest and Fiscal Charges	214,588	203,241	11,347
<i>Total Expenses</i>	20,968,389	19,244,902	1,723,487
<i>Change in Net Assets</i>	786,515	1,212,880	(426,365)
<i>Net Assets at Beginning of Year</i>	32,029,886	30,817,006	1,212,880
<i>Net Assets at End of Year</i>	\$32,816,401	\$32,029,886	\$786,515

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted Intergovernmental Revenues were \$6,533,966 for fiscal year 2011. Operating Grants and Contributions increased significantly as a result of the School District receiving, but not expensing, the Educational Jobs Grant during fiscal year 2011.

As previously mentioned, general revenues were \$15,220,938 for fiscal year 2011. The majority of these revenues are in the form of grants and entitlements not restricted to specific programs and property taxes. Other revenue sources, such as investment earnings, are insignificant and are somewhat unpredictable revenue sources.

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

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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 2011. A significant increase occurred within regular instruction when compared to the prior fiscal year. The School District incurred both salary increases and a significant increase in health insurance rates during fiscal year 2011.

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, 2011
Unaudited

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 \$21,081,612 and expenditures of \$20,041,976.

The General Fund balance increased \$1,070,281. When comparing revenues and expenditures for fiscal year 2011 to those of fiscal year 2010, two significant increases can be found. Tuition and Fees increased \$259,027 compared to fiscal year 2010 and stems from an increase in open enrollment students entering the School District. Regular Instruction expenditures increased \$1,400,077 compared to fiscal year 2010. This was due to discontinuation of the Poverty Based Assistance Fund. Costs for services provided in that fund were shifted to the General fund. Despite expenditures increasing compared to prior fiscal year, the School District's current fiscal year revenues were still more than sufficient to cover the increased costs.

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 2011, 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 significant change in revenues from the original budget to the final budget, a decrease of \$2,298,118. The decrease was most significant in the estimate of Intergovernmental Revenues. The School District originally anticipated more State funding was going to be available than what was expected at the end of the fiscal year. This is related to funding cuts at the State level. There was very little change for revenues from the final budget to actual revenues received.

The increase in expenditures from the original to the final budget is \$1,214,350, which is not significant. However, the difference in actual expenditures made from the final budget was \$2,988,628, a significant decrease. The largest savings were realized in Regular Instruction, the Support Services – Board of Education, Support Services – Operation and Maintenance of Plant, and Capital Outlay functions. These decreases were due to budget contingencies being built into specific functions, but actual expenditures did not reach the levels estimated.

Actual General Fund revenues and Other Financing Sources were lower than expenditures and Other Financing Uses by \$375,883.

The School District's ending unobligated cash balance was \$3,145,064 above the final budgeted amount.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Capital Assets

At the end of fiscal year 2011, the School District had \$23,598,631 invested in capital assets (net of accumulated depreciation). Additions to capital assets primarily consisted of blacktopping a parking lot, door access and entry controls, video surveillance hardware upgrades, and wireless technology upgrades. Disposals for the fiscal year were two buses. 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, 2011, the School District had \$2,872,669 in outstanding long-term general obligation debt, which includes serial and capital appreciation bonds as well as the accretion on the capital appreciation bonds. The School District's long-term liabilities also include a bond premium and a loss on refunding relating to the general obligation debt. The School District's long-term obligations also include capital leases in the amount of \$620,511 and compensated absences of \$2,633,837.

At June 30, 2011, the School District's overall legal debt margin was \$14,110,207 with an unvoted debt margin of \$179,962.

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.

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.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

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

The School District invested \$294,419 in fiscal year 2011 in its technology infrastructure with an upgrade in technology. Improvements included upgrades to the network, wireless connections, video surveillance, and door access controls.

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

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

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The latest State biennial budget resulted in a loss of approximately \$266,000 in formula funding including the loss of Federal State Fiscal Stabilization funds. The School District must also cope with the loss of tangible personal property reimbursements which amounted to \$131,000. State formula funding comprises 54 percent of the School District's current General Fund budget. State funding continues to be an ongoing concern for the School District. For the fiscal year 2011, School District was awarded the Federal Education Jobs Grant in the amount of \$628,017. These are one-time monies that will be exhausted at the end of fiscal year 2012.

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.

BASIC FINANCIAL STATEMENTS

Union Scioto Local School District

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$14,596,880
Cash and Cash Equivalents with Fiscal Agent	391,310
Materials and Supplies Inventory	2,831
Inventory Held for Resale	7,534
Accrued Interest Receivable	5,932
Accounts Receivable	11,494
Intergovernmental Receivable	850,597
Prepaid Items	12,360
Income Taxes Receivable	487,624
Property Taxes Receivable	3,109,444
Deferred Charges	44,622
Capital Assets:	
Land	444,360
Depreciable Capital Assets, Net	<u>23,154,271</u>
<i>Total Assets</i>	<u>43,119,259</u>
<u>Liabilities:</u>	
Accounts Payable	21,869
Accrued Wages and Benefits Payable	1,578,596
Intergovernmental Payable	412,893
Accrued Interest Payable	9,204
Personal Leave Balance Payable	7,491
Deferred Revenue	2,095,599
Claims Payable	5,571
Long-Term Liabilities:	
Due Within One Year	401,838
Due Within More Than One Year	<u>5,769,797</u>
<i>Total Liabilities</i>	<u>10,302,858</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	20,407,197
Restricted for:	
Debt Service	482,763
Capital Projects	482,064
Education Jobs Grant	628,017
Other Purposes	624,893
Set Asides	540,287
Unrestricted	<u>9,651,180</u>
<i>Total Net Assets</i>	<u><u>\$32,816,401</u></u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$11,592,474	\$2,623,041	\$564,901	(\$8,404,532)
Special	1,490,586	5,927	1,382,382	(102,277)
Vocational	10,811	0	123	(10,688)
Support Services:				
Pupils	1,018,976	0	464,463	(554,513)
Instructional Staff	690,431	0	300,782	(389,649)
Board of Education	610,485	21,935	6,825	(581,725)
Administration	1,199,868	31,697	5,559	(1,162,612)
Fiscal	459,402	0	0	(459,402)
Business	85,994	0	0	(85,994)
Operation and Maintenance of Plant	1,415,537	13,059	0	(1,402,478)
Pupil Transportation	859,650	0	30,849	(828,801)
Operation of Non-Instructional Services	1,035,218	355,612	641,696	(37,910)
Extracurricular Activities	284,369	82,887	2,228	(199,254)
Interest and Fiscal Charges	214,588	0	0	(214,588)
<i>Total Governmental Activities</i>	\$20,968,389	\$3,134,158	\$3,399,808	(14,434,423)
		<u>General Revenues:</u>		
				1,107,167
			Income Taxes	
			Property Taxes Levied for:	
			3,508,936	General Purposes
			305,924	Debt Service
			62,599	Capital Outlay
			Grants and Entitlements not Restricted	
			10,013,366	to Specific Programs
			6,000	Unrestricted Contributions and Donations
			60,326	Investment Earnings
			156,620	Miscellaneous
			15,220,938	<i>Total General Revenues</i>
			786,515	<i>Change in Net Assets</i>
			32,029,886	<i>Net Assets at Beginning of Year</i>
			\$32,816,401	<i>Net Assets at End of Year</i>

See accompanying notes to the basic financial statements

Union Scioto Local School District

Balance Sheet
Governmental Funds
June 30, 2011

	General	Education Jobs Grant	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$10,790,182	\$0	\$1,482,830	\$12,273,012
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	570,914	0	0	570,914
Receivables:				
Property Taxes	2,813,308	0	296,136	3,109,444
Income Taxes	487,624	0	0	487,624
Intergovernmental	0	628,017	222,580	850,597
Accounts	11,062	0	432	11,494
Interfund	49,729	0	0	49,729
Accrued Interest	5,932	0	0	5,932
Prepaid Items	10,470	0	1,890	12,360
Materials and Supplies Inventory	0	0	2,831	2,831
Inventory Held for Resale	0	0	7,534	7,534
Total Assets	\$14,739,221	\$628,017	\$2,014,233	\$17,381,471
 <u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$12,302	\$0	\$9,567	\$21,869
Accrued Wages and Benefits Payable	1,403,674	0	174,922	1,578,596
Intergovernmental Payable	383,696	0	29,197	412,893
Interfund Payable	0	0	49,729	49,729
Personal Leave Balances Payable	7,491	0	0	7,491
Deferred Revenue	2,058,682	628,017	326,298	3,012,997
Total Liabilities	3,865,845	628,017	589,713	5,083,575
 <u>Fund Balances:</u>				
Nonspendable	14,476	0	4,721	19,197
Restricted	566,908	0	1,047,857	1,614,765
Committed	254,677	0	0	254,677
Assigned	1,289,339	0	410,748	1,700,087
Unassigned	8,747,976	0	(38,806)	8,709,170
Total Fund Balances	10,873,376	0	1,424,520	12,297,896
Total Liabilities and Fund Balances	\$14,739,221	\$628,017	\$2,014,233	\$17,381,471

See accompanying notes to the basic financial statements

Union Scioto Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011

Total Governmental Fund Balances \$12,297,896

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

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

Land	444,360	
Other capital assets	39,046,399	
Accumulated depreciation	(15,892,128)	
Total capital assets	23,598,631	23,598,631

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	92,767	
Income taxes	74,237	
Intergovernmental	746,067	
Accrued interest	4,327	
	917,398	917,398

The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 2,138,693

Bond issuance costs reported as an expenditure in governmental funds are recognized as an asset and allocated as an expense over the life of the bonds on a full accrual basis. 44,622

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	(2,570,927)	
Accretion on bonds	(301,742)	
Accrued interest on bonds	(9,204)	
Premium on refunding	(158,103)	
Loss on refunding	113,485	
Capital leases	(620,511)	
Compensated absences	(2,633,837)	
Total liabilities	(6,180,839)	(6,180,839)

Net Assets of Governmental Activities \$32,816,401

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, 2011

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$3,524,709	\$370,263	\$3,894,972
Income Taxes	1,095,382	0	1,095,382
Intergovernmental	9,870,395	2,857,016	12,727,411
Investment Earnings	55,999	3	56,002
Tuition and Fees	2,628,968	0	2,628,968
Rent	13,059	0	13,059
Extracurricular Activities	31,697	82,887	114,584
Contributions and Donations	6,000	11,067	17,067
Customer Sales and Services	21,935	355,612	377,547
Miscellaneous	150,593	6,027	156,620
<i>Total Revenues</i>	<u>17,398,737</u>	<u>3,682,875</u>	<u>21,081,612</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	9,934,649	728,596	10,663,245
Special	854,015	605,318	1,459,333
Vocational	9,805	0	9,805
Support Services:			
Pupils	502,771	500,504	1,003,275
Instructional Staff	566,396	109,510	675,906
Board of Education	603,249	6,825	610,074
Administration	1,019,912	123,930	1,143,842
Fiscal	435,837	8,282	444,119
Business	85,507	0	85,507
Operation and Maintenance of Plant	1,022,325	376,719	1,399,044
Pupil Transportation	661,286	67,754	729,040
Operation of Non-Instructional Services	0	1,008,484	1,008,484
Extracurricular Activities	143,773	91,547	235,320
Debt Service:			
Principal Retirement	209,620	215,000	424,620
Interest and Fiscal Charges	34,311	116,051	150,362
<i>Total Expenditures</i>	<u>16,083,456</u>	<u>3,958,520</u>	<u>20,041,976</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,315,281</u>	<u>(275,645)</u>	<u>1,039,636</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	0	75,000	75,000
Transfers Out	(245,000)	0	(245,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(245,000)</u>	<u>75,000</u>	<u>(170,000)</u>
<i>Net Change in Fund Balances</i>	1,070,281	(200,645)	869,636
<i>Fund Balances at Beginning of Year - Restated (See Note 23)</i>	<u>9,803,095</u>	<u>1,625,165</u>	<u>11,428,260</u>
<i>Fund Balances at End of Year</i>	<u>\$10,873,376</u>	<u>\$1,424,520</u>	<u>\$12,297,896</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, 2011

Net Change in Fund Balances - Total Governmental Funds \$869,636

***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	311,959	
Depreciation expense	(1,342,366)	
Excess of depreciation expense over capital outlay		(1,030,407)

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

Delinquent property taxes	(17,513)	
Income taxes	11,785	
Intergovernmental	674,693	
Investment earnings	4,327	
Total (increase)/decrease		673,292

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. 1,044

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

Bond principal retirement	215,000	
Capital leases	209,620	
Total long-term debt repayment		424,620

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

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

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

Increase in compensated absences payable	(87,444)	
Decrease in accrued interest payable	467	
Accretion on bonds	(64,694)	
Total (increase)/decrease		(151,671)

Change in Net Assets of Governmental Activities \$786,515

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, 2011

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property Taxes	\$3,248,759	\$3,249,155	\$3,249,580	\$425
Income Taxes	1,026,127	1,076,947	1,076,947	0
Intergovernmental	12,747,077	9,889,285	9,870,909	(18,376)
Investment Earnings	20,000	55,811	63,718	7,907
Tuition and Fees	2,283,500	2,620,716	2,633,266	12,550
Rent	0	10,056	13,472	3,416
Extracurricular Activities	40,643	30,717	31,697	980
Contributions and Donations	0	6,558	6,000	(558)
Customer Sales and Services	0	20,104	23,253	3,149
Miscellaneous	0	108,639	139,789	31,150
<i>Total Revenues</i>	<u>19,366,106</u>	<u>17,067,988</u>	<u>17,108,631</u>	<u>40,643</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,313,106	10,813,115	9,837,362	975,753
Special	771,104	867,340	846,148	21,192
Vocational	20,522	17,118	9,805	7,313
Support Services:				
Pupils	517,346	533,248	498,296	34,952
Instructional Staff	702,219	712,268	626,163	86,105
Board of Education	1,916,197	1,278,077	784,050	494,027
Administration	1,078,127	1,124,979	1,024,599	100,380
Fiscal	461,627	490,236	485,603	4,633
Business	207,394	207,394	143,472	63,922
Operation and Maintenance of Plant	2,183,349	2,157,740	1,286,995	870,745
Pupil Transportation	729,941	878,387	851,787	26,600
Operation of Non-Instructional Services	131	131	0	131
Extracurricular Activities	115,589	129,746	135,352	(5,606)
Capital Outlay	1,974,859	797,878	489,397	308,481
Debt Service:				
Principal Retirement	0	179,000	179,000	0
Interest and Fiscal Charges	0	19,204	19,204	0
<i>Total Expenditures</i>	<u>18,991,511</u>	<u>20,205,861</u>	<u>17,217,233</u>	<u>2,988,628</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>374,595</u>	<u>(3,137,873)</u>	<u>(108,602)</u>	<u>3,029,271</u>
<u>Other Financing Sources (Uses):</u>				
Transfers-In	100,000	100,000	0	(100,000)
Transfers-Out	(500,000)	(500,000)	(245,000)	255,000
Advances-In	0	27,448	27,448	0
Advances-Out	(10,522)	(10,522)	(49,729)	(39,207)
<i>Total Other Financing Sources (Uses)</i>	<u>(410,522)</u>	<u>(383,074)</u>	<u>(267,281)</u>	<u>115,793</u>
<i>Net Change in Fund Balance</i>	(35,927)	(3,520,947)	(375,883)	3,145,064
<i>Fund Balance at Beginning of Year - Restated (See Note 23)</i>	9,188,578	9,188,578	9,188,578	0
<i>Prior Year Encumbrances Appropriated</i>	1,283,976	1,283,976	1,283,976	0
<i>Fund Balance at End of Year</i>	<u>\$10,436,627</u>	<u>\$6,951,607</u>	<u>\$10,096,671</u>	<u>\$3,145,064</u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2011

	<u>Self-Insurance</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,752,954
Cash and Cash Equivalents with Fiscal Agent	<u>391,310</u>
<i>Total Assets</i>	2,144,264
<u>Liabilities:</u>	
Accounts Payable	<u>5,571</u>
<u>Net Assets:</u>	
Unrestricted	<u><u>\$2,138,693</u></u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	Self-Insurance
<u>Operating Revenues:</u>	
Charges for Services	\$42,497
<u>Operating Expenses:</u>	
Purchased Services	9,148
Claims	202,305
<i>Total Operating Expenses</i>	211,453
<i>Loss Before Transfers</i>	(168,956)
Transfers In	170,000
<i>Change in Net Assets</i>	1,044
<i>Net Assets at Beginning of Year</i>	2,137,649
<i>Net Assets at End of Year</i>	\$2,138,693

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, 2011

	<u>Self-Insurance</u>
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>	
<u>Cash Flows from Operating Activities:</u>	
Receipts from Interfund Services Provided	\$42,497
Cash Payments to Suppliers for Goods and Services	(9,148)
Cash Payments for Claims	<u>(200,194)</u>
<i>Net Cash Used for Operating Activities</i>	(166,845)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers	<u>170,000</u>
<i>Increase in Cash and Cash Equivalents</i>	3,155
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>2,141,109</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$2,144,264</u></u>
<i>Reconciliation of Operating Loss to Net Cash</i>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$168,956)
<i>Adjustments to Reconcile Operating Loss to</i>	
<u>Net Cash Used for Operating Activities:</u>	
Increase in Claims Payable	<u>2,111</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$166,845)</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, 2011

	<u>Student Managed Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$43,459</u></u>
<u>Liabilities:</u>	
Undistributed Monies	<u><u>\$43,459</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, 2011

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 87 non-certificated employees, 123 certificated teaching personnel, and 12 administrative employees who provide services to 2,247 students and other community members. The School District currently operates two instructional buildings, one administrative building, one maintenance building, and a bus garage.

Reporting Entity

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

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

The 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, 2011

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

The School District participates in seven organizations, four of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross County Career and Technology Center, the Great Seal Education Network of Tomorrow, the Coalition of Rural and Appalachian Schools, Northern Buckeye Education Council Officials Workers' Compensation Group Rating Plan, the Ohio School Plan, and the 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 School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its Internal Service Fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Education Jobs Grant Special Revenue Fund – This fund accounts for and reports restricted federal monies which are used to provide compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary or secondary educational and related services. No budgetary statement is presented for this fund due to no cash activity during the fiscal year.

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

Proprietary Fund

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

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

Fiduciary Fund

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. The balance of the School District's funds held by the claims administrator and the fiscal agent at June 30, 2011, is presented as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2011, investments were limited to United States Treasury Notes 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, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment Earnings credited to the General Fund during fiscal year 2011 amounted to \$55,999, which includes \$12,550 assigned from other School District funds.

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

Restricted Assets

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

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

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

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

Interfund Balances

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

Compensated Absences

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

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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 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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education.

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

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

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

Internal Activity

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

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

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

Estimates

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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:

Fund Balances	General	Other Governmental Funds	Total
<i>Nonspendable</i>			
Prepays	\$10,470	\$1,890	\$12,360
Materials and Supplies			
Inventory	0	2,831	2,831
Unclaimed Monies	4,006	0	4,006
<i>Total Nonspendable</i>	14,476	4,721	19,197
<i>Restricted for</i>			
Set Asides - Textbooks	540,287	0	540,287
Bus Purchase	26,621	0	26,621
Debt Payment	0	484,525	484,525
Food Service Operations	0	8,586	8,586
Special Donations	0	2,988	2,988
Facilities Maintenance	0	486,041	486,041
Extracurricular Activities	0	11,371	11,371
Ross County Christian Academy	0	2,651	2,651
Other Local Grants	0	7,000	7,000
Capital Improvements	0	44,695	44,695
<i>Total Restricted</i>	566,908	1,047,857	1,614,765
<i>Committed to</i>			
Future Severance Payments	254,677	0	254,677
<i>Assigned to</i>			
Capital Improvements	0	410,748	410,748
Other Purposes	1,289,339	0	1,289,339
<i>Total Assigned</i>	1,289,339	410,748	1,700,087
<i>Unassigned (Deficit)</i>	8,747,976	(38,806)	8,709,170
<i>Total Fund Balances</i>	\$10,873,376	\$1,424,520	\$12,297,896

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 – ACCOUNTABILITY

At June 30, 2011, the Early Childhood Education, Title VI-B, Education Stabilization, Title I and Title II-A Special Revenue Funds had deficit fund balances of \$13,333, \$14,907, \$7,349, \$310, and \$2,907, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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).

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING (continued)

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	\$1,070,281
Adjustments:	
Revenue Accruals	(298,891)
Expenditure Accruals	139,433
Advances	(22,281)
Encumbrances	(1,273,210)
Net Decrease in Fair	
Value of Investments - FY 2011	8,785
Budget Basis	(\$375,883)

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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

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;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

At June 30, 2011, the School District had “Cash and Cash Equivalents with Fiscal Agent” on the Statement of Net Assets of \$391,310. This is money paid to a claims servicing pool that pays employee health insurance claims on the School District’s behalf. The money is held by Ross-Pike Educational Service Center, 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 Center 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, \$11,848,898 of the School District’s bank balance of \$12,593,898 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, 2011, the School District had the following investment:

	Fair Value	Investment Maturities Less Than 1 Year	Investment Maturities (in Years) 1 - 4	S&P Rating	Percent of Total Investments
U.S. Treasury Notes	\$2,113,139	\$0	\$2,113,139	AAA	99.89%
STAROhio	2,413	2,413	0	AAAm	0.11%
Totals	<u>\$2,115,552</u>	<u>\$2,413</u>	<u>\$2,113,139</u>		<u>100.00%</u>

Interest Rate Risk

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010, and are collected in calendar year 2011 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, 2011

NOTE 7 – PROPERTY TAXES (continued)

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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$834,380 in the General Fund and \$87,888 in the Other Governmental Funds. The amount available as an advance at June 30, 2010, was \$559,251 in the General Fund and \$60,373 in the Other Governmental Funds.

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

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second - Half Collections		2011 First - Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$171,218,820	96.56%	\$173,700,560	96.52%
Public Utility Personal	5,766,820	3.25%	6,261,760	3.48%
General Business Personal	342,800	0.19%	0	0.00%
Total Assessed Value	\$177,328,440	100.00%	\$179,962,320	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$34.10		 \$34.10	

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

NOTE 9 – RECEIVABLES

Receivables at June 30, 2011, consisted of property and income taxes, intergovernmental, accounts, interfund, and accrued interest. All receivables, except for property taxes, are considered fully collectible within one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Education Jobs	\$628,017
Race to the Top	32,010
Title I Grant	116,833
Title I-D, ARRA Grant	26,283
Special Education, Part B-IDEA Grant	12,804
Special Education, Part B-IDEA ARRA Grant	14,592
Title II-A, Improving Teacher Quality Grant	18,877
Early Childhood Education Grant	435
Title IV-A, Safe and Drug-Free Schools Grant	746
Total Intergovernmental Receivables	<u><u>\$850,597</u></u>

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/2010	Additions	Deletions	Balance at 6/30/2011
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$444,360	\$0	\$0	\$444,360
Capital Assets Being Depreciated:				
Land Improvements	1,758,886	23,975	0	1,782,861
Buildings and Improvements	33,338,311	26,821	0	33,365,132
Furniture, Fixtures and Equipment	1,243,962	261,163	0	1,505,125
Vehicles	1,948,763	0	95,611	1,853,152
Textbooks and Educational Media	540,129	0	0	540,129
Total Capital Assets Being Depreciated	<u>38,830,051</u>	<u>311,959</u>	<u>95,611</u>	<u>39,046,399</u>
Less Accumulated Depreciation:				
Land Improvements	(632,752)	(83,624)	0	(716,376)
Buildings and Improvements	(11,394,505)	(1,037,925)	0	(12,432,430)
Furniture, Fixtures and Equipment	(581,871)	(107,343)	0	(689,214)
Vehicles	(1,496,116)	(113,474)	(95,611)	(1,513,979)
Textbooks and Educational Media	(540,129)	0	0	(540,129)
Total Accumulated Depreciation	<u>(14,645,373)</u>	<u>(1,342,366) *</u>	<u>(95,611)</u>	<u>(15,892,128)</u>
Total Capital Assets Being Depreciated, Net	<u>24,184,678</u>	<u>(1,030,407)</u>	<u>0</u>	<u>23,154,271</u>
Governmental Activities Capital Assets, Net	<u>\$24,629,038</u>	<u>(\$1,030,407)</u>	<u>\$0</u>	<u>\$23,598,631</u>

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 – CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,102,616
Vocational	844
Support Services:	
Pupils	646
Instructional Staff	1,823
Board of Education	267
Administration	41,426
Business	487
Operation and Maintenance of Plant	6,154
Pupil Transportation	118,457
Operation of Non-Instructional Services	22,645
Extracurricular Activities	47,001
Total Depreciation Expense	<u><u>\$1,342,366</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 2011, the School District contracted with Ohio Casualty for building and contents and fleet insurance.

During fiscal year 2011, 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 decrease in insurance coverage from the prior fiscal year.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 – RISK MANAGEMENT (continued)

Workers' Compensation

For fiscal year 2011, 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 and Surgical Benefits

Medical and surgical insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a public entity shared risk pool, consisting of six school districts and one educational service center within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent, who in turn pays the claims on the School District's behalf. During 2010, the claims servicing pool changed their structure and became a public entity shared risk pool.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2010	\$136,042	\$64,344	\$197,286	\$3,460
2011	3,460	202,305	200,194	5,571

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 may be obtained by visiting the SERS website at 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, 2011

NOTE 12 – DEFINED BENEFIT PENSION PLANS (continued)

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, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 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, 2011, 2010, and 2009 were \$93,164, \$268,568, and \$164,822, respectively. For fiscal year 2011, the entire amount has been contributed. The full amount has also been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System of Ohio

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

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, 2011

NOTE 12 – DEFINED BENEFIT PENSION PLANS (continued)

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. For the fiscal year ended June 30, 2011, 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, 2011, 2010, and 2009 were \$1,008,176, \$1,000,804, and \$909,196, respectively. For fiscal year 2011, 82.89 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$6,570 made by the School District and \$4,693 made by the plan members. In addition, member contributions of \$7,416 were made for fiscal year 2011 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, 2011, 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 under Employers/Audit Resources.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 – POSTEMPLOYMENT BENEFITS (continued)

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 105e. For 2011, 1.43 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 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$30,677 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, 2011, 2010, and 2009 were \$41,958, \$39,094, and \$93,653, respectively. For fiscal year 2011, the entire amount has been contributed. The full amount has also been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$5,995, \$15,971, and \$13,599, respectively. For fiscal year 2011, 47.22 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

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. 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 or by calling (888) 227-7877.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 – POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – Ohio Law authorized 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 2011, 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, 2011, 2010, and 2009 were \$77,552, \$76,985, and \$69,938, respectively. For fiscal year 2011, 82.89 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 – EMPLOYEE BENEFITS (continued)

Insurance Benefits

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

Deferred Compensation

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

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 transfers ownership of the improvements to the School District at the expiration of the lease term. All leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The School District is leasing the project from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. In turn, Columbus Regional Airport Authority has assigned U.S. Bank National Association as trustee. The School District will make semi-annual lease payments to U.S. Bank National Association. The interest rate is fixed at 3.04 percent. The lease is renewable annually and expires in fiscal year 2013. The intention of the School District is to renew the lease annually and make payments using the revenue generated from energy savings as a result of the improvements. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds and on a budgetary basis.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 – LEASES – LESSEE DISCLOSURE (continued)

Capital assets acquired by lease were initially capitalized in the amount of \$1,087,131 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2011 totaled \$209,620 and were paid from the General Fund.

The assets acquired through capital leases as of June 30, 2011, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Copiers	\$184,131	(\$39,895)	\$144,236
HVAC Improvements	903,000	(89,650)	813,350
Totals	\$1,087,131	(\$129,545)	\$957,586

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, 2011:

Fiscal Year Ending June 30,	Total Payments
2012	\$243,033
2013	241,779
2014	143,355
2015	45,727
Total	673,894
Less: Amount Representing Interest	(53,383)
Present Value of Net Minimum Lease Payments	\$620,511

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 16 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during the fiscal year 2011 were as follows:

	Amounts Outstanding 6/30/10	Additions	Deductions	Amounts Outstanding 6/30/11	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2000 School Improvement					
Bonds - 4.4% to 5.5%					
Serial Bonds	\$190,000	\$0	\$190,000	\$0	\$0
Capital Appreciation Bonds	80,928	0	0	80,928	43,264
Accretion on Capital Appreciation	202,971	42,039	0	245,010	0
2006 School Improvement					
Refunding Bonds - 3.65% to 4.75%					
Serial Bonds	2,500,000	0	25,000	2,475,000	25,000
Capital Appreciation Bonds	14,999	0	0	14,999	0
Accretion on Cap. Apprec.	34,077	22,655	0	56,732	0
Premium on Refunding	171,371	0	13,268	158,103	0
Unamortized Loss	(123,008)	0	(9,523)	(113,485)	0
Capital Leases	830,131	0	209,620	620,511	216,449
Compensated Absences	2,546,393	274,333	186,889	2,633,837	117,125
Total Governmental Activities					
Long-Term Obligations	<u>\$6,447,862</u>	<u>\$339,027</u>	<u>\$615,254</u>	<u>\$6,171,635</u>	<u>\$401,838</u>

2000 School Improvement Bonds – On November 14, 2000, the School District issued \$4,225,928 of voted general obligation bonds for the purpose of constructing a new elementary school building and a new high school building. \$1,545,000 were issued as serial bonds with interest rates ranging from 4.4 percent to 4.85 percent. \$2,600,000 were issued as term bonds with an interest rate of 5.5 percent. These term bonds were refunded in fiscal year 2007 with proceeds of the 2006 School Improvement Refunding Bonds, as described below. \$80,928 was issued as capital appreciation bonds. The bonds were issued for a 23 year period, with final maturity December 1, 2022. The bonds will be retired from the Bond Retirement Debt Service Fund.

The capital appreciation bonds will mature in fiscal years 2012 and 2013. The maturity amount of the bonds is \$400,000. For fiscal year 2011, \$42,039 was accreted on the capital appreciation bonds for a total outstanding bond value for the entire issue of \$325,938 at fiscal year-end.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 16 – LONG-TERM OBLIGATIONS (continued)

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

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

The capital appreciation bond is not subject to prior redemption. The bond will mature December 1, 2015. The maturity amount of the capital appreciation bond will be \$245,000. For fiscal year 2011, \$22,655 was accreted on the capital appreciation bond.

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

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$25,000	\$110,444	\$43,264	\$156,736	\$68,264	\$267,180
2013	25,000	109,444	37,664	162,336	62,664	271,780
2014	220,000	103,719	0	0	220,000	103,719
2015	235,000	92,912	0	0	235,000	92,912
2016	0	0	14,999	230,001	14,999	230,001
2017-2021	1,350,000	293,847	0	0	1,350,000	293,847
2022-2023	620,000	28,125	0	0	620,000	28,125
Totals	<u>\$2,475,000</u>	<u>\$738,491</u>	<u>\$95,927</u>	<u>\$549,073</u>	<u>\$2,570,927</u>	<u>\$1,287,564</u>

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

The School District’s overall legal debt margin was \$14,110,207 with an unvoted debt margin of \$179,962 at June 30, 2011.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 17 – INTERFUND ACTIVITY

As of June 30, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

		Receivable
		<u>General Fund</u>
Payable	Other Governmental Funds	<u>\$49,729</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, 2011, were as follows:

		Transfers From
		<u>General Fund</u>
	Internal Service Fund	\$170,000
	Other Governmental Funds	<u>75,000</u>
	Total Transfers	<u>\$245,000</u>

For fiscal year 2011, 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 insurance.

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, Pickaway, Gallia and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent.

The School District paid SCOCA \$170,301 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Pickaway-Ross County Career and Technology Center

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

Great Seal Education Network of Tomorrow

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS (continued)

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the “Coalition”) is a jointly governed organization of over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of 14 members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for school district administrative personnel; gathers data regarding education conditions in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District paid \$325 to the Coalition for services provided during the fiscal year. To obtain financial information, write to the Ohio University, who acts as fiscal agent, at McCracken Hall, Room 119E, Athens, Ohio 45701.

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

	Textbooks and Instructional Materials	Capital Acquisitions
Set-aside Balance as of June 30, 2010	\$390,729	\$0
Current Fiscal Year Set-aside Requirement	328,624	328,624
Current Fiscal Year Offsets	0	(412,212)
Qualifying Disbursements	(179,066)	(1,800)
Set-aside Balance as of June 30, 2011	\$540,287	(\$85,388)
Required Set-aside Balance Carried Forward to FY 2012	\$540,287	\$0

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 22 – CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

Litigation

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

NOTE 23 – RESTATEMENT OF FUND BALANCES AND CHANGE IN ACCOUNTING PRINCIPLE

The School District has implemented (Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”.) GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the following change to fund balances at June 30, 2010, as previously reported:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balance, June 30, 2010, as Previously Reported	\$9,768,913	\$1,659,347
Reclassification of Funds	34,182	(34,182)
Fund Balance, June 30, 2010, as Restated	<u>\$9,803,095</u>	<u>\$1,625,165</u>

In addition, the fund balance at the beginning of the year – Budget and Actual (Budget Basis) for the General Fund increased by \$27,624.

UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	PASS-THROUGH GRANT NUMBER	CFDA NUMBER	CASH FEDERAL RECEIPTS	NON-CASH FEDERAL RECEIPTS	CASH FEDERAL EXPENDITURES	NON-CASH FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
<i>Child Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 120,573	\$ -	\$ 120,573	\$ -
National School Lunch Program	3L60	10.555	391,689	64,477	391,689	64,477
Total Child Nutrition Cluster			512,262	64,477	512,262	64,477
Child and Adult Care Food Program	3L80	10.558	1,988	-	1,988	-
Total United States Department of Agriculture			514,250	64,477	514,250	64,477
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
<i>Title I, Part A Cluster</i>						
Title I Grants to Local Education Agencies	3M00	84.010	389,718	-	382,266	-
Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	142,838	-	115,725	-
Total Title I, Part A Cluster			532,556	-	497,991	-
<i>Special Education Cluster (IDEA)</i>						
Special Education Grants to States	3M20	84.027	401,508	-	364,084	-
Special Education Grants to States, Recovery Act	3DJ0	84.391	224,025	-	271,464	-
Total Special Education Cluster (IDEA)			625,533	-	635,548	-
Safe & Drug Free Schools and Communities - State Grants	3D10	84.186	5,434	-	4,199	-
Education Technology State Grants	3S20	84.318	2,724	-	3,024	-
Improving Teacher Quality - State Grants	3Y60	84.367	80,928	-	78,076	-
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	GRF	84.394	791,030	-	791,030	-
State Fiscal Stabilization Fund - Race to the Top Incentive Grants, Recovery Act	3FD0	84.395	410	-	410	-
Total United States Department of Education			2,038,615	-	2,010,278	-
Total Federal Financial Assistance			\$ 2,552,865	\$ 64,477	\$ 2,524,528	\$ 64,477

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards

**UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (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. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

To the Board of Education:

We have audited 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 12, 2012 wherein we noted that the District implemented GASB Statements No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

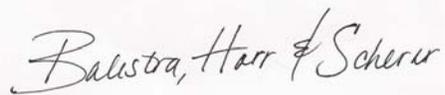
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies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

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

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, providing an opinion 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*

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

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

Balestra, Harr & Scherer, CPAs, Inc.
January 12, 2012



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Compliance

We have audited the compliance of Union Scioto Local School District, Ross County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Union Scioto Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Union Scioto Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Members of the Board of Education
Union Scioto Local School District
Report on Compliance with Requirements Applicable to each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
Page 2

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.
January 12, 2012

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

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported 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 other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title 1, Part A Cluster: Title 1 Grants to Local Educational Agencies; CFDA# 84.010 Title 1 Grants to Local Educational Agencies – ARRA; CFDA# 84.389 Special Education Cluster: Special Education Grants to States; CFDA# 84.027 Special Education Grants to States – ARRA; CFDA# 84.391 State Fiscal Stabilization Fund (SFSF) – Education State Grants, ARRA; CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted



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Independent Auditor's Report on Applying Agreed Upon Procedures

Members of the Board of Education
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 District) 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 October 11, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

January 12, 2012

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Dave Yost • Auditor of State

UNION SCIOTO LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 26, 2012