



Dave Yost • Auditor of State

**UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Union Scioto Local School District, Ross County, Ohio (the District), as of and for the year ended June 30 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Union Scioto Local School District, Ross County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 14, 2017

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Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
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, 2016. 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 2016 are as follows:

- In total, Net Position decreased \$546,911 from the prior fiscal year.
- General revenues accounted for \$16,402,733. Program specific revenues in the form of Charges for Services and Sales and Operating Grants and Contributions accounted for \$7,470,604 of total revenues of \$23,873,337.
- The School District had \$24,420,248 in expenses related to governmental activities; only \$7,470,604 of these expenses were offset by program specific charges for services, sales, grants, and contributions. General revenues (primarily taxes and grants and entitlements) of \$16,402,733 were insufficient to provide for these programs.

Using the Basic Financial Statements

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

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

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 2016?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting

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used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Fund

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

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Fiduciary Fund

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

The School District as a Whole

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

Table 1
Net Position

	<u>Governmental Activities</u>		Increase (Decrease)
	<u>2016</u>	<u>2015</u>	
<u>Assets:</u>			
Current and Other Assets	\$16,607,454	\$18,723,713	(\$2,116,259)
Capital Assets, Net	21,027,837	22,119,141	(1,091,304)
<i>Total Assets</i>	<u>37,635,291</u>	<u>40,842,854</u>	<u>(3,207,563)</u>
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	65,870	75,393	(9,523)
Pension	2,785,718	1,702,187	1,083,531
<i>Total Deferred Outflows of Resources</i>	<u>2,851,588</u>	<u>1,777,580</u>	<u>1,074,008</u>
<u>Liabilities:</u>			
Other Liabilities	2,583,435	2,355,582	227,853
Long-Term Liabilities:			
Net Pension Liability	26,246,157	23,242,074	3,004,083
Other Amounts	4,185,572	6,880,759	(2,695,187)
<i>Total Liabilities</i>	<u>\$33,015,164</u>	<u>\$32,478,415</u>	<u>\$536,749</u>

(continued)

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 1
Net Position
(continued)

	<u>Governmental Activities</u>		Increase (Decrease)
	<u>2016</u>	<u>2015</u>	
<u>Deferred Inflows of Resources</u>			
Property Taxes	\$3,025,220	\$2,957,716	\$67,504
Pension	2,014,824	4,205,721	(2,190,897)
<i>Total Deferred Inflows of Resources</i>	<u>5,040,044</u>	<u>7,163,437</u>	<u>(2,123,393)</u>
<u>Net Position:</u>			
Net Investment in			
Capital Assets	18,838,951	17,413,948	1,425,003
Restricted	1,332,627	1,448,613	(115,986)
Unrestricted	(17,739,907)	(15,883,979)	(1,855,928)
<i>Total Net Position</i>	<u>\$2,431,671</u>	<u>\$2,978,582</u>	<u>(\$546,911)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise

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is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

A significant decrease occurred within Current and Other Assets from the prior fiscal year. The most significant decrease was in Equity in Pooled Cash and Cash Equivalents, which decreased \$2,562,269. This decrease is mainly due to the School District paying off the 2013 elementary building addition and phone system lease during fiscal year 2016. Capital Assets, Net, decreased \$1,091,304 primarily due to current year depreciation exceeding current year additions.

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Total liabilities of the School District increased \$536,749 from the prior fiscal year. Net Pension Liability increased \$3,004,083 as a result of pension investment revenues not meeting expectations along with a general increase in the overall net pension liability for SERS and STRS. Other Long-Term Liabilities decreased \$2,695,187 due to current year debt payments and due to the School District paying off the 2013 elementary building addition and phone system lease during fiscal year 2016.

Net Investment in Capital Assets increased \$1,425,003 mainly due to the School District paying off the 2013 elementary building addition and phone system lease during fiscal year 2016. The decrease in Restricted was not significant. Unrestricted Net Position decreased \$1,855,928 mainly due to the School District using unrestricted monies to pay off the 2013 elementary building addition and phone system lease during fiscal year 2016.

Table 2 shows the changes in Net Position for fiscal years 2016 and 2015.

Table 2
Changes in Net Position

	Governmental Activities		Increase (Decrease)
	2016	2015	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services and Sales	\$4,220,791	\$3,951,113	\$269,678
Operating Grants and Contributions	3,249,813	3,195,058	54,755
Total Program Revenues	<u>7,470,604</u>	<u>7,146,171</u>	<u>324,433</u>
General Revenues:			
Income Taxes	1,351,421	1,263,029	88,392
Property Taxes	4,398,522	3,820,340	578,182
Grants and Entitlements not Restricted to Specific Programs	10,316,046	10,171,794	144,252
Unrestricted Contributions and Donations	20	0	20
Investment Earnings	246,385	122,393	123,992
Miscellaneous	90,339	125,763	(35,424)
Total General Revenues	<u>16,402,733</u>	<u>15,503,319</u>	<u>899,414</u>
Total Revenues	<u>\$23,873,337</u>	<u>\$22,649,490</u>	<u>\$1,223,847</u>

(continued)

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 2
Changes in Net Position
(continued)

	Governmental Activities		Increase (Decrease)
	2016	2015	
<u>Program Expenses:</u>			
Instruction			
Regular	\$12,938,992	\$12,367,037	\$571,955
Special	2,824,267	3,165,749	(341,482)
Vocational	31,581	70,565	(38,984)
Student Intervention Services	349,704	225,764	123,940
Support Services			
Pupils	1,133,921	832,155	301,766
Instructional Staff	638,488	442,667	195,821
Board of Education	492,242	418,585	73,657
Administration	992,127	933,608	58,519
Fiscal	583,982	516,342	67,640
Business	13,996	46,166	(32,170)
Operation and Maintenance of Plant	1,715,966	1,633,853	82,113
Pupil Transportation	1,082,634	1,015,427	67,207
Central	1,255	0	1,255
Operation of Non-Instructional Services	1,119,442	1,103,595	15,847
Extracurricular Activities	281,601	205,316	76,285
Interest and Fiscal Charges	220,050	240,022	(19,972)
Total Expenses	<u>24,420,248</u>	<u>23,216,851</u>	<u>1,203,397</u>
Change in Net Position	<u>(546,911)</u>	<u>(567,361)</u>	<u>\$20,450</u>
Net Position at Beginning of Year	<u>2,978,582</u>	N/A	
Net Position at End of Year	<u><u>\$2,431,671</u></u>	<u><u>\$2,978,582</u></u>	

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted Intergovernmental Revenues were \$7,470,604 for fiscal year 2016. The increase in charges for services was mainly due to a \$291,879 increase of students open enrolling into the School District.

As previously mentioned, general revenues were \$16,402,733 for fiscal year 2016. The majority of these revenues are in the form of grants and entitlements not restricted to specific programs, and property and income taxes. The increase is mainly due to an increase in property tax revenues due to increased property valuations.

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

Support Services consists of several function categories as follows:

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

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
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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 2016. The largest increase occurred within regular instruction when compared to the prior fiscal year. This increase is due to salary and benefit increases. Pupils and instructional staff also had significant increases during the fiscal year. These increases are associated with staff moving from instructional positions to support positions.

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

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$24,124,934 and expenditures of \$26,048,127.

The General Fund balance decreased \$1,818,960. The main reason for the decrease was due to the School District using General Fund monies to pay off the 2013 elementary building addition

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Management's Discussion and Analysis
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and phone system lease during fiscal year 2016. When comparing revenues and expenditures for fiscal year 2016 to those of fiscal year 2015, the most significant revenue increase can be found in property taxes, principal and interest. Property taxes increased \$528,848, due to an increase in property taxes revenues collected compared to 2015. Principal and Interest expenditures increased \$2,422,952 and \$42,608, respectively. These increases are associated with the early payoff of the 2013 elementary addition and phone lease during 2016.

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 2016, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

A review of the budgetary comparison statement for the General Fund reflects a change in revenues from the original budget to the final budget, an increase of \$12,602, which was insignificant. There was a significant change in revenues from the final budget to actual revenues received of \$227,561. The primary increase occurred in tuition and fees with actual monies received being even higher than the revised estimate due to more students open enrolling into the School District than originally projected.

The increase in expenditures from the original to the final budget is \$3,552,405. The main increases occurred in Capital Outlay. The main reason is due to the School District using General Fund monies to pay off the 2013 elementary building addition and phone system lease during fiscal year 2016. This was not anticipated to occur when the original budget was prepared. The total difference in actual expenditures made from the final budget was \$22,760, which is insignificant. However, significant decreases occurred between regular and special instruction.

Actual General Fund revenues and Other Financing Sources were less than Expenditures and Other Financing Uses by \$3,227,960.

The School District's ending unobligated cash balance was \$250,321 above the final budgeted amount.

Capital Assets

At the end of fiscal year 2016, the School District had \$21,027,837 invested in capital assets (net of accumulated depreciation). For further information regarding the School District's capital assets, refer to Note 10 in the Notes to the Basic Financial Statements.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
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Debt Administration

At June 30, 2016, the School District had \$1,970,000 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 \$91,763 in bond premium relating to the general obligation debt. In addition, the School District's long-term obligations include capital leases in the amount of \$97,468 and compensated absences of \$2,026,341.

The School District's overall legal debt margin was \$15,906,200 with an unvoted debt margin of \$193,068 at June 30, 2016.

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

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.

Union Scioto Local School District
Statement of Net Position
June 30, 2016

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$11,350,119
Cash and Cash Equivalents with Fiscal Agent	391,310
Materials and Supplies Inventory	3,270
Inventory Held for Resale	6,578
Accrued Interest Receivable	25,755
Accounts Receivable	6,382
Intergovernmental Receivable	273,425
Prepaid Items	3,738
Income Taxes Receivable	543,380
Property Taxes Receivable	4,003,497
Capital Assets:	
Land	444,360
Construction in Progress	95,525
Depreciable Capital Assets, Net	20,487,952
<i>Total Assets</i>	37,635,291
<u>Deferred Outflows of Resources</u>	
Deferred Charge on Refunding	65,870
Pension	2,785,718
<i>Total Deferred Outflows of Resources</i>	2,851,588
<u>Liabilities:</u>	
Accounts Payable	95,533
Contracts Payable	95,525
Accrued Wages and Benefits Payable	1,996,981
Intergovernmental Payable	266,850
Accrued Interest Payable	8,254
Personal Leave Balance Payable	27,879
Vacation Leave Balance Payable	49,336
Matured Compensated Absences Payable	39,091
Claims Payable	3,986
Long-Term Liabilities:	
Due Within One Year	456,504
Due in More Than One Year:	
Net Pension Liability (See Note 12)	26,246,157
Other Amounts Due in More Than Year	3,729,068
<i>Total Liabilities</i>	33,015,164
<u>Deferred Inflows of Resources</u>	
Property Taxes	3,025,220
Pension	2,014,824
<i>Total Deferred Inflows of Resources</i>	5,040,044
<u>Net Position:</u>	
Net Investment in Capital Assets	18,838,951
Restricted for:	
Debt Service	499,875
Classroom Facilities	654,823
Athletics	7,655
Federal Programs	144,647
Other Purposes	25,627
Unrestricted	(17,739,907)
<i>Total Net Position</i>	\$2,431,671

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
			Governmental Activities	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$12,938,992	\$3,711,224	\$182,652	(\$9,045,116)
Special	2,824,267	72,146	1,956,798	(795,323)
Vocational	31,581	0	2,296	(29,285)
Student Intervention Services	349,704	0	0	(349,704)
Support Services:				
Pupils	1,133,921	0	263,633	(870,288)
Instructional Staff	638,488	0	0	(638,488)
Board of Education	492,242	1,066	5,400	(485,776)
Administration	992,127	29,007	0	(963,120)
Fiscal	583,982	0	0	(583,982)
Business	13,996	0	0	(13,996)
Operation and Maintenance of Plant	1,715,966	29,330	0	(1,686,636)
Pupil Transportation	1,082,634	0	29,842	(1,052,792)
Central	1,255	0	0	(1,255)
Operation of Non-Instructional Services	1,119,442	274,287	808,317	(36,838)
Extracurricular Activities	281,601	103,731	875	(176,995)
Interest and Fiscal Charges	220,050	0	0	(220,050)
<i>Total Governmental Activities</i>	<u>\$24,420,248</u>	<u>\$4,220,791</u>	<u>\$3,249,813</u>	<u>(16,949,644)</u>
<u>General Revenues:</u>				
				1,351,421
				3,978,801
				350,316
				69,405
				10,316,046
				20
				246,385
				90,339
<i>Total General Revenues</i>				<u>16,402,733</u>
<i>Change in Net Position</i>				(546,911)
<i>Net Position at Beginning of Year</i>				<u>2,978,582</u>
<i>Net Position at End of Year</i>				<u>\$2,431,671</u>

See accompanying notes to the basic financial statements

Union Scioto Local School District

Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$10,005,365	\$1,309,429	\$11,314,794
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	4,006	0	4,006
Receivables:			
Property Taxes	3,615,013	388,484	4,003,497
Income Taxes	543,380	0	543,380
Intergovernmental	0	273,425	273,425
Accounts	6,382	0	6,382
Accrued Interest	25,755		25,755
Prepaid Items	3,738	0	3,738
Materials and Supplies Inventory	0	3,270	3,270
Inventory Held for Resale	0	6,578	6,578
<i>Total Assets</i>	<u>\$14,203,639</u>	<u>\$1,981,186</u>	<u>\$16,184,825</u>
<u>Liabilities:</u>			
Accounts Payable	\$7,850	\$87,683	\$95,533
Accrued Wages and Benefits Payable	1,745,012	251,969	1,996,981
Contracts Payable	0	95,525	95,525
Intergovernmental Payable	249,497	17,353	266,850
Personal Leave Balances Payable	27,879	0	27,879
Matured Compensated Absences Payable	39,091	0	39,091
<i>Total Liabilities</i>	<u>2,069,329</u>	<u>452,530</u>	<u>2,521,859</u>
<u>Deferred Inflows of Resource:</u>			
Property Taxes	2,731,651	293,569	3,025,220
Unavailable Revenue	174,299	220,162	394,461
<i>Total Deferred Inflows of Resources</i>	<u>2,905,950</u>	<u>513,731</u>	<u>3,419,681</u>
<u>Fund Balances:</u>			
Nonspendable	7,744	3,270	11,014
Restricted	0	1,153,136	1,153,136
Assigned	911,816	18,423	930,239
Unassigned (Deficit)	8,308,800	(159,904)	8,148,896
<i>Total Fund Balances</i>	<u>9,228,360</u>	<u>1,014,925</u>	<u>10,243,285</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$14,203,639</u>	<u>\$1,981,186</u>	<u>\$16,184,825</u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2016

Total Governmental Fund Balances \$10,243,285

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

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

Land	444,360	
Construction in Progress	95,525	
Depreciable capital assets	42,633,433	
Accumulated depreciation	(22,145,481)	
Total capital assets		21,027,837

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 reported as unavailable revenue in the funds.

Delinquent property taxes	99,941	
Income taxes	78,328	
Intergovernmental	210,538	
Accrued interest	5,654	
Total		394,461

The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 418,643

Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and, therefore are not reported in the funds. 65,870

The net pension liability is not due and payable in the current period; therefore the liability and related deferred inflows/outflows are not reported in the governmental funds:

Deferred Outflows - Pension	2,785,718	
Deferred Inflows - Pension	(2,014,824)	
Net Pension Liability	(26,246,157)	
Total		(25,475,263)

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	(1,970,000)	
Accrued interest on bonds	(8,254)	
Premium on refunding	(91,763)	
Capital leases	(97,468)	
Vacation Payable	(49,336)	
Compensated absences	(2,026,341)	
Total liabilities		(4,243,162)

Net Position of Governmental Activities \$2,431,671

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, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$3,976,111	\$419,453	\$4,395,564
Income Taxes	1,348,472	0	1,348,472
Intergovernmental	11,191,088	2,619,287	13,810,375
Investment Earnings	252,541	7	252,548
Tuition and Fees	3,783,370	0	3,783,370
Rent	29,330	0	29,330
Extracurricular Activities	29,007	103,731	132,738
Contributions and Donations	20	6,825	6,845
Customer Sales and Services	1,066	274,287	275,353
Miscellaneous	68,924	21,415	90,339
<i>Total Revenues</i>	<u>20,679,929</u>	<u>3,445,005</u>	<u>24,124,934</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	11,350,255	353,045	11,703,300
Special	1,617,226	1,230,230	2,847,456
Vocational	9,856	0	9,856
Student Intervention Services	351,786	0	351,786
Support Services:			
Pupils	866,207	213,278	1,079,485
Instructional Staff	630,194	1,279	631,473
Board of Education	486,624	5,400	492,024
Administration	967,743	0	967,743
Fiscal	559,292	8,392	567,684
Business	13,509	0	13,509
Operation and Maintenance of Plant	1,633,225	52,497	1,685,722
Pupil Transportation	895,831	107,541	1,003,372
Central	1,255	0	1,255
Operation of Non-Instructional Services	4,265	1,117,509	1,121,774
Extracurricular Activities	165,595	127,836	293,431
Capital Outlay	21,230	195,900	217,130
Debt Service:			
Principal Retirement	2,593,088	14,999	2,608,087
Interest and Fiscal Charges	135,708	317,332	453,040
<i>Total Expenditures</i>	<u>22,302,889</u>	<u>3,745,238</u>	<u>26,048,127</u>
<i>Excess of Revenues Under Expenditures</i>	(1,622,960)	(300,233)	(1,923,193)
<u>Other Financing Uses:</u>			
Transfers Out	(196,000)	0	(196,000)
<i>Net Change in Fund Balances</i>	(1,818,960)	(300,233)	(2,119,193)
<i>Fund Balances at Beginning of Year</i>	<u>11,047,320</u>	<u>1,315,158</u>	<u>12,362,478</u>
<i>Fund Balances at End of Year</i>	<u>\$9,228,360</u>	<u>\$1,014,925</u>	<u>\$10,243,285</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, 2016

Net Change in Fund Balances - Total Governmental Funds (\$2,119,193)

**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	205,985	
Construction in progress additions	95,525	
Depreciation expense	(1,377,997)	
Excess of depreciation expense over capital outlay		(1,076,487)

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

Loss on sale of capital assets	(14,817)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" inflows and are deferred in the governmental funds.

Delinquent property taxes	2,958	
Income taxes	2,949	
Intergovernmental	(251,348)	
Investment earnings	(6,156)	
Total		(251,597)

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. (26,144)

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 1,535,876

Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the Statement of Activities. (1,265,531)

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

Bond principal retirement	14,999	
Redemption of accretion on capital appreciation bonds	230,001	
Capital leases	2,593,088	
Total long-term debt repayment		2,838,088

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

Amortization of deferred charges on refunding	(9,523)	
Amortization of bond premium	13,268	
Total		3,745

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 and vacation payable	(170,095)	
Increase in accrued interest payable	(756)	
Total		(170,851)

Change in Net Position of Governmental Activities (\$546,911)

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, 2016

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$3,443,655	\$3,456,257	\$3,488,615	\$32,358
Income Taxes	1,288,269	1,288,269	1,323,748	35,479
Intergovernmental	11,108,418	11,108,418	11,200,358	91,940
Investment Earnings	123,276	123,276	138,773	15,497
Tuition and Fees	3,566,288	3,566,288	3,784,286	217,998
Rent	30,840	30,840	29,330	(1,510)
Contributions and Donations	0	0	20	20
Customer Sales and Services	953	953	1,066	113
Miscellaneous	233,213	233,213	68,879	(164,334)
<i>Total Revenues</i>	19,794,912	19,807,514	20,035,075	227,561
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	10,993,140	10,820,859	11,239,181	(418,322)
Special	1,886,768	2,253,768	1,686,455	567,313
Vocational	12,000	12,000	9,856	2,144
Student Intervention Services	0	331,746	337,856	(6,110)
Support Services:				
Pupils	885,842	885,842	814,225	71,617
Instructional Staff	498,924	637,983	713,355	(75,372)
Board of Education	430,822	806,998	841,225	(34,227)
Administration	886,415	886,415	931,576	(45,161)
Fiscal	562,629	581,629	570,439	11,190
Business	80,298	80,298	150,072	(69,774)
Operation and Maintenance of Plant	1,699,973	1,836,789	1,854,048	(17,259)
Pupil Transportation	937,441	937,441	952,561	(15,120)
Central	0	0	1,255	(1,255)
Extracurricular Activities	182,500	182,500	164,518	17,982
Capital Outlay	380,638	2,735,527	2,700,413	35,114
<i>Total Expenditures</i>	19,437,390	22,989,795	22,967,035	22,760
<i>Excess of Revenues Over (Under) Expenditures</i>	357,522	(3,182,281)	(2,931,960)	250,321
<u>Other Financing Uses:</u>				
Transfers Out	(260,000)	(296,000)	(296,000)	0
<i>Net Change in Fund Balance</i>	97,522	(3,478,281)	(3,227,960)	250,321
<i>Fund Balance at Beginning of Year</i>	11,380,987	11,380,987	11,380,987	0
<i>Prior Year Encumbrances Appropriated</i>	668,804	668,804	668,804	0
<i>Fund Balance at End of Year</i>	\$12,147,313	\$8,571,510	\$8,821,831	\$250,321

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2016

	<u>Self-Insurance</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$31,319
Cash and Cash Equivalents with Fiscal Agent	391,310
	<hr/>
<i>Total Assets</i>	422,629
	<hr/>
<u>Liabilities:</u>	
Claims Payable	3,986
	<hr/>
<u>Net Position:</u>	
Unrestricted	\$418,643
	<hr/> <hr/>

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Revenues, Expenses
and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2016

	Self-Insurance
<u>Operating Revenues:</u>	
Charges for Services	\$44,607
<u>Operating Expenses:</u>	
Purchased Services	2,725
Claims	264,026
	266,751
<i>Total Operating Expenses</i>	
<i>Loss Before Transfers</i>	(222,144)
Transfers In	196,000
<i>Change in Net Position</i>	(26,144)
<i>Net Position at Beginning of Year</i>	444,787
<i>Net Position at End of Year</i>	\$418,643

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, 2016

	<u>Self-Insurance</u>
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>	
<u><i>Cash Flows from Operating Activities:</i></u>	
Receipts from Interfund Services Provided	\$44,607
Cash Payments to Suppliers for Goods and Services	(2,725)
Cash Payments for Claims	(260,040)
<i>Net Cash Used for Operating Activities</i>	(218,158)
<u><i>Cash Flows from Noncapital Financing Activities:</i></u>	
Transfers	196,000
<i>Decrease in Cash and Cash Equivalents</i>	(22,158)
<i>Cash and Cash Equivalents at Beginning of Year</i>	444,787
<i>Cash and Cash Equivalents at End of Year</i>	\$422,629
<i>Reconciliation of Operating Loss to Net Cash</i>	
<u><i>Used for Operating Activities:</i></u>	
Operating Loss	(\$222,144)
<i>Adjustments to Reconcile Operating Loss to</i>	
<u><i>Net Cash Used for Operating Activities:</i></u>	
Changes in Assets and Liabilities:	
Increase in Claims Payable	3,986
<i>Net Cash Used for Operating Activities</i>	(\$218,158)

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2016

	<u>Student Managed Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$49,825</u>
<u>Liabilities:</u>	
Undistributed Monies	<u>\$49,825</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, 2016

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 89 classified employees, 129 certificated teaching personnel, and 13 administrative employees who provide services to 2,146 students and other community members. The School District currently operates two instructional buildings, one administrative building, one maintenance building, and a bus garage.

Reporting Entity

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

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

The following activities are included with the reporting entity.

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The School District participates in six organizations, three of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a public entity shared risk pool. These organizations are:

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Union Scioto Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements

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

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

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

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Proprietary Fund

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

Internal Service Fund – Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District. The School District's internal service fund is used to account for the vision and dental benefits provided to employees. The School District's internal service fund also currently pays a portion of the medical premium costs due for health care coverage due to the School District no longer being self-insured to pay for this coverage.

Fiduciary Fund

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

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in 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.

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, grants, tuition and fees, and customer sales and services.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported in the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, income taxes, interest and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 12).

Expenses/Expenditures

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

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

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 permanent appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

Cash and Cash Equivalents

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

The School District participated in a claims servicing pool that paid employee health insurance claims on the School District's behalf. The remaining balance of the School District's funds held by the claims administrator and the fiscal agent at June 30, 2016, is presented as "Cash and Cash Equivalents with Fiscal Agent".

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

During fiscal year 2016, investments were limited to United States Treasury Securities, negotiable certificates of deposit, and the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2016. Investments in United States Treasury Securities and negotiable certificates of deposit are reported at fair value which is based on quoted market prices.

During fiscal year 2016, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue, including a decrease in the fair market value of investments, credited to the General Fund during fiscal year 2016 amounted to \$252,541, which includes \$31,060 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Restricted Assets

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

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

Capital Assets

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

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

All reported capital assets, except land, 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

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.

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Notes to the Basic Financial Statements
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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.

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences and net pension liability 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.

Bond Premiums and Compound Interest on Capital Appreciation Bonds

In the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

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

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:

Union Scioto Local School District
Notes to the Basic Financial Statements
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Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Net Position

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

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

Internal Activity

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

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

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

Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPAL

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” and Statement No. 79, “Certain External Investment Pools and Pool Participants.”

Union Scioto Local School District
Notes to the Basic Financial Statements
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GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School Districts participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 – ACCOUNTABILITY

At June 30, 2016, the Lunchroom, Public School Preschool, IDEA-B, Title I and Title II-A Improving Teacher Quality Special Revenue Funds had deficit fund balances of \$52,249, \$14,136, \$17,094, \$62,192, and \$10,963, 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. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

Union Scioto Local School District
Notes to the Basic Financial Statements
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5. Certain funds are accounted for as a separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	(\$1,818,960)
Adjustments:	
Revenue Accruals	(508,070)
Expenditure Accruals	(24,286)
Transfers	(100,000)
Encumbrances	(890,325)
Net Decrease in Fair	
Value of Investments - Fiscal Year 2015	(13,892)
Net Increase in Fair	
Value of Investments - Fiscal Year 2016	(93,330)
Perspective Differences	220,903
Budget Basis	(\$3,227,960)

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

Union Scioto Local School District
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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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

At June 30, 2016, the School District had "Cash and Cash Equivalents with Fiscal Agent" on the Statement of Net Position of \$391,310. This is money that was paid to a claims servicing pool that paid employee health insurance claims on the School District's behalf. The money is held by Ross-Pike Educational Service District, which is the fiscal agent for several school districts. Since the monies are commingled, no disclosures regarding risk can be disclosed under GASB Statement No. 40. The classification for the Ross-Pike Educational Service District as a whole can be obtained by writing to Erin Kirby, who serves as Treasurer, at 475 Western Avenue, Suite E, Chillicothe, Ohio 45601.

Union Scioto Local School District
Notes to the Basic Financial Statements
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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, \$1,301,298 of the School District's bank balance of \$1,801,298 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, 2016, the School District had the following investment:

<u>Measurement / Investment</u>	<u>Measurement Amount</u>	<u>Investment Maturities Less Than 1 Year</u>	<u>Investment Maturities (in Years) 1 - 2</u>	<u>Investment Maturities (in Years) 3 - 5</u>	<u>S&P Rating</u>	<u>Percent of Total Investments</u>
Net Asset Value per Share:						
STAROhio	\$2,425	\$2,417	\$0	\$0	N/A	N/A
Fair Value:						
Negotiable Certificates of Deposit	7,006,077	257,144	2,252,520	4,496,413	N/A	72.53%
Fifth Third Money Market	150,550	150,550	0	0	N/A	N/A
U.S. Treasury Notes/Bonds	2,500,640	500,250	2,000,390	0	AA+	25.89%
Totals	<u>\$9,659,692</u>	<u>\$910,361</u>	<u>\$4,252,910</u>	<u>\$4,496,413</u>		

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2016. All of the School District's investments measured at fair value are valued using quoted market prices (Level 2 inputs).

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, 2016

Credit Risk

The S&P ratings of the School District's investments are listed in the table above. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute or issued by United States Government sponsored enterprises.

Concentration of Credit Risk

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

NOTE 7 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2013, were levied after April 1, 2015, and are collected in calendar year 2016 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.

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, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Union Scioto Local School District
Notes to the Basic Financial Statements
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Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2016, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows – property taxes.

The amount available as an advance at June 30, 2016, was \$793,045 in the General Fund and \$85,291 in the Other Governmental Funds. The amount available as an advance at June 30, 2015, was \$305,849 in the General Fund and \$32,849 in the Other Governmental Funds.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred inflows of resources – unavailable revenue.

The assessed values upon which fiscal year 2016 taxes were collected are:

	2015 Second - Half Collections		2016 First - Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$182,913,920	96.26%	\$186,162,510	96.42%
Public Utility Personal	7,097,940	3.74%	6,905,430	3.58%
Total Assessed Value	\$190,011,860	100.00%	\$193,067,940	100.00%
Tax rate per \$1,000 of assessed valuation	\$34.10		\$34.10	

NOTE 8 – INCOME TAX

The School District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, and continued for five years. On March 2, 2004, May 5, 2009, and on May 6, 2014 the voters of the School District approved the renewal of the income tax levy. For the latest renewal, collections began January, 2015, 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, 2016, consisted of property and income taxes, intergovernmental, accounts, and accrued interest. All receivables, except for property taxes, are considered fully collectible within one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

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A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
Title I Grant	\$239,199
Special Education, Part B-IDEA Grant	5,319
Title II-A, Improving Teacher Quality Grant	2,888
Misc Federal Grants	26,019
Total Intergovernmental Receivables	\$273,425

NOTE 10 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2016, was as follows:

	Balance at 6/30/2015	Additions	Deletions	Balance at 6/30/2016
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$444,360	\$0	\$0	\$444,360
Construction in Progress	0	95,525	0	95,525
Total Capital Assets Not Being Depreciated	444,360	95,525	0	539,885
Capital Assets Being Depreciated:				
Land Improvements	1,879,511	19,000	0	1,898,511
Buildings and Improvements	36,584,504	34,955	(6,869)	36,612,590
Furniture, Fixtures and Equipment	1,792,062	34,413	(23,129)	1,803,346
Vehicles	1,785,240	117,617	(139,952)	1,762,905
Textbooks and Educational Media	556,081	0	0	556,081
Total Capital Assets Being Depreciated	42,597,398	205,985	(169,950)	42,633,433
Less Accumulated Depreciation:				
Land Improvements	(1,065,988)	(87,244)	0	(1,153,232)
Buildings and Improvements	(16,702,430)	(1,091,429)	5,633	(17,788,226)
Furniture, Fixtures and Equipment	(1,165,501)	(133,588)	15,377	(1,283,712)
Vehicles	(1,441,923)	(63,077)	134,123	(1,370,877)
Textbooks and Educational Media	(546,775)	(2,659)	0	(549,434)
Total Accumulated Depreciation	(20,922,617)	(1,377,997) *	155,133	(22,145,481)
Total Capital Assets Being Depreciated, Net	21,674,781	(1,172,012)	(14,817)	20,487,952
Governmental Activities Capital Assets, Net	\$22,119,141	(\$1,076,487)	(\$14,817)	\$21,027,837

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* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,228,755
Vocational	281
Support Services:	
Pupils	646
Instructional Staff	2,145
Administration	4,598
Fiscal	1,321
Business	487
Operation and Maintenance of Plant	18,950
Pupil Transportation	63,653
Operation of Non-Instructional Services	19,077
Extracurricular Activities	38,084
Total Depreciation Expense	<u><u>\$1,377,997</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 2016, the School District contracted with Ohio Casualty for building and contents and fleet insurance.

During fiscal year 2016, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to Hylant Administrative Services, LLC (See Note 19).

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

Workers' Compensation

For fiscal year 2016, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Retrospective 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 Comp Management LLC. provides administrative, cost control, and actuarial services to the GRP.

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Employee Medical, Surgical, Dental, and Vision Benefits

Medical and surgical insurance is offered to employees through the Ross County School Employees Insurance Consortium, a public entity shared risk pool (Note 20). The School District is a member of the Consortium which is considered a public entity shared risk pool, consisting of six school districts and one educational service center within Ross County and its surrounding area, in which monthly premiums are paid to the consortium and coverage's are administered through a third party administrator, Medical Mutual.

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

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

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2015	\$0	\$217,859	\$217,859	\$0
2016	0	264,026	260,040	3,986

NOTE 12 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

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GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$393,820 for fiscal year 2016. Of this amount \$49,923 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member,

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and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,142,056 for fiscal year 2016. Of this amount \$189,052 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.08195000%	0.07850294%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.08625250%</u>	<u>0.07715906%</u>	
Change in Proportionate Share	<u>0.00430250%</u>	<u>-0.00134388%</u>	
Proportionate Share of the Net Pension Liability	\$4,921,650	\$21,324,507	\$26,246,157
Pension Expense	\$375,370	\$890,161	\$1,265,531

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$79,248	\$972,127	\$1,051,375
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	198,467	0	198,467
School District contributions subsequent to the measurement date	<u>393,820</u>	<u>1,142,056</u>	<u>1,535,876</u>
Total Deferred Outflows of Resources	<u>\$671,535</u>	<u>\$2,114,183</u>	<u>\$2,785,718</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$163,072	\$1,533,635	\$1,696,707
Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>318,117</u>	<u>318,117</u>
Total Deferred Inflows of Resources	<u>\$163,072</u>	<u>\$1,851,752</u>	<u>\$2,014,824</u>

\$1,535,876 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$4,188	(\$425,619)	(\$421,431)
2018	4,188	(425,619)	(421,431)
2019	3,813	(425,619)	(421,806)
2020	102,454	397,232	499,686
Total	\$114,643	(\$879,625)	(\$764,982)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

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The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
 Total	 <u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$6,824,562	\$4,921,650	\$3,319,244

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Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District’s net pension liability is expected to be significant.”

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to

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fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$29,621,349	\$21,324,507	\$14,308,290

NOTE 13 – POSTEMPLOYMENT BENEFITS

School Employee Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered

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payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$44,576.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$65,439, and \$45,359, respectively. The full amount has been contributed for all three fiscal years.

State Teachers Retirement System of Ohio

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$84,943, respectively. The full amount has been contributed for all three fiscal years.

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 25 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.

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Upon retirement, payment is made for one-half of accrued, but unused sick leave credit to a maximum payment of 184 days for all classified employees, 184 days for all teachers, and the entire balance for the Treasurer and Superintendent. (Teachers payout is limited to \$222 per paid out day.)

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

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Dearborn National. The School District also provides vision benefits and dental benefits through a third party administrator, Core Source.

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

During fiscal year 2013, the School District entered into a capitalized lease for an addition to the existing junior high school building and a new phone system. The terms of the agreement transfers ownership of the improvements to the School District at the expiration of the lease term. The School District is leasing the project from the Huntington National Bank. Huntington National Bank will retain title to the project during the lease term. The School District will make semi-annual lease payments to Huntington National Bank. The interest rate is fixed at 2.85 percent. The lease is renewable annually and expires in fiscal year 2023. The intention of the School District is to renew the lease annually and make payments using General Fund dollars. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds and on a budgetary basis. During fiscal year 2016, the School District paid off the remaining balance of the lease.

During fiscal year 2014, the School District replaced its old copier lease with a new copier lease. The remaining principal payments of \$77,112 on the old copier lease will not be made and was removed from long-term liabilities during fiscal year 2014. The new lease in the amount of \$199,773 was recorded as a long-term liability.

Capital assets acquired by lease were initially capitalized in the amount of \$3,231,322 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 Position for governmental activities. Principal payments in fiscal year 2016 totaled \$2,593,088 and were paid from the General Fund. The assets acquired through capital leases as of June 30, 2016, are as follows:

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	Asset Value	Accumulated Depreciation	Net Book Value
Copiers	\$199,773	(\$116,535)	\$83,238

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, 2016:

Fiscal Year Ending June 30,	Total Payments
2017	\$49,612
2018	49,612
2019	8,269
Total	107,493
Less: Amount Representing Interest	(10,025)
Present Value of Net Minimum Lease Payments	\$97,468

NOTE 16 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during the fiscal year 2016 were as follows:

	Amounts Outstanding 6/30/15	Additions	Deductions	Amounts Outstanding 6/30/16	Amounts Due in One Year
<u>Governmental Activities:</u>					
<u>General Obligation Bonds:</u>					
2006 School Improvement					
Refunding Bonds - 3.65% to 4.75%					
Serial Bonds	\$1,970,000	\$0	\$0	\$1,970,000	\$250,000
Capital Appreciation Bonds	14,999	0	14,999	0	0
Accretion on Cap. Apprec.	230,001	0	230,001	0	0
Premium on Refunding	105,031	0	13,268	91,763	0
Total General Obligations Bonds	2,320,031	0	258,268	2,061,763	250,000
<u>Net Pension Liability:</u>					
SERS	4,147,442	774,208	0	4,921,650	\$0
STRS	19,094,632	2,229,875	0	21,324,507	0
Total Net Pension Liability	23,242,074	3,004,083	0	26,246,157	0
Capital Leases	2,690,556	0	2,593,088	97,468	42,674
Compensated Absences	1,870,172	241,043	84,874	2,026,341	163,830
Total Governmental Activities	\$30,122,833	\$3,245,126	\$2,936,230	\$30,431,729	\$456,504

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016, \$64,781 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, 2016, are as follows:

Fiscal Year	Serial Bonds	
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$250,000	\$81,863
2018	255,000	70,816
2019	270,000	59,331
2020	280,000	47,300
2021	295,000	34,537
2022-2023	620,000	28,125
Totals	<u>\$1,970,000</u>	<u>\$321,972</u>

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences and capital leases will be paid from the General Fund. For additional information related to the net pension liability see note 12.

The School District's overall legal debt margin was \$15,906,200 with an unvoted debt margin of \$193,068 at June 30, 2016.

NOTE 17 – INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2016, were as follows:

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	Transfers From
Transfers To	General
	Fund
	\$196,000
Internal Service Fund	\$196,000

For fiscal year 2016, General Fund transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The transfer to the Internal Service Fund was to help fund the activity for the School District’s self-funded dental and vision insurance.

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG)

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District’s degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association (“META”). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG \$151,472 for services provided during the fiscal year.

Pickaway-Ross County Career and Technology Center

The Pickaway-Ross County Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of 11 representatives from the various City and County boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Technology Center including budgeting, appropriating, contracting and designating management.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Each School District's degree of control is limited to its representation on the Board. The Technology Center provides vocational instruction to students in both Pickaway and Ross Counties. The School District made no payments to the Technology Center for services provided during the fiscal year. To obtain financial information write to the Pickaway-Ross County Career and Technology Center, Ben Van Horn who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Great Seal Education Network of Tomorrow

The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of 12 city, local, and joint vocational school districts, two educational service centers, and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members. The Board exercises total control over the operations of Council including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

NOTE 19 – INSURANCE PURCHASING POOLS

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Retrospective Rating Plan GRP) was established as a group insurance purchasing pool. The GRP's business and affairs are conducted by Comp Management, LLC.

Ohio School Plan

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 20 – PUBLIC ENTITY SHARED RISK POOL

Ross County School Employees Insurance Consortium

The School District is a member of the Ross County School Employees Insurance Consortium (the “Consortium”), a public entity shared risk pool consisting of six school districts and one educational service center within Ross County and its surrounding area. Medical/surgical insurance is administered through a third party administrator, Medical Mutual. The Consortium’s business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Ross-Pike Educational Service District, Erin Kirby who serves as Treasurer, at 475 Western Avenue, Suite E, Chillicothe, Ohio 45601.

NOTE 21 – SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	Capital Acquisitions
Set-aside Balance as of June 30, 2015	\$0
Current Fiscal Year Set-aside Requirement	376,139
Current Fiscal Year Offsets	(129,262)
Qualifying Disbursements	(246,877)
Set-aside Balance as of June 30, 2016	\$0

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

NOTE 22 – SIGNIFICANT COMMITMENTS

Encumbrances

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

General Fund	\$891,656
Enterprise Fund	\$15,975
Nonmajor Governmental Funds	432,744
Total	\$1,340,375

Contractual Commitments

The following table provides a summary of the outstanding contractual commitments as of June 30, 2016:

Project	Contract Amount	Amount Expended	Contract Remaining
Paving and Tennis Court	\$318,220	\$95,525	\$222,695

NOTE 23 – FUND BALANCES

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fund Balances	General	Nonmajor Governmental Funds	Total
Nonspendable			
Prepays	\$3,738	\$0	\$3,738
Inventory	0	3,270	3,270
Unclaimed Monies	4,006	0	4,006
Total Nonspendable	<u>7,744</u>	<u>3,270</u>	<u>11,014</u>
Restricted for			
Debt Payment	0	500,085	500,085
Special Donations	0	1,678	1,678
Other Local Grants	0	4,062	4,062
Facilities Maintenance	0	617,718	617,718
Extracurricular Activities	0	7,655	7,655
Ross County Christian Academy	0	19,887	19,887
Miscellaneous Federal Grants	0	2,051	2,051
Total Restricted	<u>0</u>	<u>1,153,136</u>	<u>1,153,136</u>
Assigned to			
Capital Improvements	0	18,423	18,423
Purchases on Order	883,101	0	883,101
Assigned to Principals	28,715	0	28,715
Total Assigned	<u>911,816</u>	<u>18,423</u>	<u>930,239</u>
Unassigned (Deficit)	<u>8,308,800</u>	<u>(159,904)</u>	<u>8,148,896</u>
Total Fund Balances	<u>\$9,228,360</u>	<u>\$1,014,925</u>	<u>\$10,243,285</u>

NOTE 24 – CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

Litigation

The School District is not party to any legal proceedings.

NOTE 25 – SUBSEQUENT EVENTS

The School District has approved a lease purchase obligation to renovate the current athletic field house and construction of a new field house. The project is budgeted at \$2 million and is expected to begin work this spring.

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Union Scioto Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.08625250%	0.08195000%	0.08195000%
School District's Proportionate Share of the Net Pension Liability	\$4,921,650	\$4,147,443	\$4,873,303
School District's Covered-Employee Payroll	\$2,683,214	\$2,501,771	\$2,047,176
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	183.42%	165.78%	238.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year-end.

Union Scioto Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07715906%	0.07850294%	0.78502940%
School District's Proportionate Share of the Net Pension Liability	\$21,324,507	\$19,094,631	\$22,745,401
School District's Covered-Employee Payroll	\$8,067,236	\$7,885,923	\$7,669,808
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	264.33%	242.14%	296.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year-end.

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Union Scioto Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$393,820	\$353,648	\$346,745	\$283,329
Contributions in Relation to the Contractually Required Contribution	<u>(393,820)</u>	<u>(353,648)</u>	<u>(346,745)</u>	<u>(283,329)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,813,000	\$2,683,214	\$2,501,771	\$2,047,176
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008	2007
\$228,663	\$99,159	\$284,539	\$178,421	\$177,649	\$179,809
(228,663)	(99,159)	(284,539)	(178,421)	(177,649)	(179,809)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,700,094	\$788,857	\$2,101,471	\$1,813,223	\$1,809,050	\$1,683,605
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

Union Scioto Local School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,142,056	\$1,129,413	\$1,025,170	\$997,075
Contributions in Relation to the Contractually Required Contribution	<u>(1,142,056)</u>	<u>(1,129,413)</u>	<u>(1,025,170)</u>	<u>(997,075)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$8,157,543	\$8,067,236	\$7,885,923	\$7,669,808
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$984,202	\$1,008,176	\$1,000,804	\$909,196	\$844,016	\$784,933
(984,202)	(1,008,176)	(1,000,804)	(909,196)	(844,016)	(784,933)
\$0	\$0	\$0	\$0	\$0	\$0
\$7,573,092	\$7,755,200	\$7,698,492	\$6,993,815	\$6,492,431	\$6,037,946
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
Non-Cash Assistance (Food Distribution)				
National School Lunch Program	3L60	10.555	\$ 65,078	\$ 65,078
Cash Assistance				
School Breakfast Program	3L70	10.553	128,414	128,414
National School Lunch Program	3L60	10.555	430,599	430,599
Total Nutrition Cluster			624,091	624,091
Child and Adult Care Food Program	3L80	10.558	2,811	2,811
National Lunch Equipment Grant	3GF0	10.579	24,078	24,078
Total U.S. Department of Agriculture			650,980	650,980
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	3M00	84.010	1,003,234	996,928
Special Education Grants to States	3M20	84.027	409,739	406,884
Title VI, Rural and Low Income	3Y80	84.358	54,351	52,260
Improving Teacher Quality State Grants	3Y60	84.367	74,124	73,938
Total U.S. Department of Education			1,541,448	1,530,010
Total Federal Awards Receipts and Expenditures			\$ 2,192,428	\$ 2,180,990

The accompanying notes are an integral part of this schedule.

**UNION-SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Union-Scioto Local School District (the Government's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Government

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Government has elected **not** to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

The Government commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

The Government reports commodities consumed on the Schedule at the entitlement value. The Government allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE E - MATCHING REQUIREMENTS

Certain Federal programs require the Government to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Government has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Scioto Local School District, Ross County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 14, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Union Scioto Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Union Scioto Local School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Union Scioto Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 14, 2017

**UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2106**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster: 10.555 National School Lunch Program 10.553 National School Breakfast Program
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

UNION – SCIOTO LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 28, 2017