



Dave Yost • Auditor of State

**UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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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 the Union Scioto Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2017, 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 such 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 the Union Scioto Local School District, Ross County, Ohio, as of June 30, 2017, 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 Federal Awards Receipts and Expenditures Schedule 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2018, 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 8, 2018

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Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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, 2017. 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 2017 are as follows:

- In total, Net Position decreased \$814,089 from the prior fiscal year.
- General revenues accounted for \$16,036,346. Program specific revenues in the form of Charges for Services and Sales and Operating Grants and Contributions accounted for \$7,624,984 of total revenues of \$23,661,330.
- The School District had \$25,475,419 in expenses related to governmental activities; only \$7,624,984 of these expenses were offset by program specific charges for services, sales, grants, and contributions. General revenues (primarily taxes and grants and entitlements) of \$16,036,346 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 2017?" 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

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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>2017</u>	<u>2016</u>	
<u>Assets:</u>			
Current and Other Assets	\$17,287,203	\$16,607,454	\$679,749
Capital Assets, Net	21,983,448	21,027,837	955,611
<i>Total Assets</i>	<u>39,270,651</u>	<u>37,635,291</u>	<u>1,635,360</u>
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	56,347	65,870	(9,523)
Pension	5,807,210	2,785,718	3,021,492
<i>Total Deferred Outflows of Resources</i>	<u>5,863,557</u>	<u>2,851,588</u>	<u>3,011,969</u>
<u>Liabilities:</u>			
Other Liabilities	2,954,374	2,583,435	370,939
Long-Term Liabilities:			
Net Pension Liability	31,685,970	26,246,157	5,439,813
Other Amounts	5,931,261	4,185,572	1,745,689
<i>Total Liabilities</i>	<u>\$40,571,605</u>	<u>\$33,015,164</u>	<u>\$7,556,441</u>

(continued)

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 1
Net Position
(continued)

	<u>Governmental Activities</u>		Increase (Decrease)
	<u>2017</u>	<u>2016</u>	
<u>Deferred Inflows of Resources</u>			
Property Taxes	\$2,401,582	\$3,025,220	(\$623,638)
Pension	543,439	2,014,824	(1,471,385)
<i>Total Deferred Inflows of Resources</i>	<u>2,945,021</u>	<u>5,040,044</u>	<u>(2,095,023)</u>
<u>Net Position:</u>			
Net Investment in			
Capital Assets	18,685,095	18,838,951	(153,856)
Restricted	1,486,373	1,332,627	153,746
Unrestricted	<u>(18,553,886)</u>	<u>(17,739,907)</u>	<u>(813,979)</u>
<i>Total Net Position</i>	<u>\$1,617,582</u>	<u>\$2,431,671</u>	<u>(\$814,089)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 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.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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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 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 increase occurred within Current and Other Assets from the prior fiscal year. The most significant increase was in Equity in Pooled Cash and Cash Equivalents, which increased \$1,143,801. This increase is mainly due to the School District receiving lease proceeds for the purpose of athletic and other facility construction and renovations, yet not spending all of those proceeds during fiscal year 2017. Capital Assets, Net, increased \$955,611 primarily due to current year asset additions exceeding deletions and current year depreciation. This was driven by the construction in progress on the athletic facilities project.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Total liabilities of the School District increased \$7,556,441 from the prior fiscal year. Net Pension Liability increased \$5,439,813 as a result of overall increase in pension liabilities as calculated by the retirement systems. Other Long-Term Liabilities increased \$1,745,689 primarily due to the School District receiving lease proceeds for the purpose of athletic and other facility construction and renovations. This created an additional liability during fiscal year 2017.

Total Net Position decreased \$814,089. The decreases in Net Investment in Capital and Restricted Net Position were not significant. Unrestricted Net Position decreased \$813,979 mainly due to the increase in Net Pension Liability.

Table 2 shows the changes in Net Position for fiscal years 2017 and 2016.

Table 2
Changes in Net Position

	Governmental Activities		Increase
	2017	2016	(Decrease)
<u>Revenues:</u>			
Program Revenues:			
Charges for Services and Sales	\$4,334,806	\$4,220,791	\$114,015
Operating Grants and Contributions	3,290,178	3,249,813	40,365
Total Program Revenues	<u>7,624,984</u>	<u>7,470,604</u>	<u>154,380</u>
General Revenues:			
Income Taxes	1,360,234	1,351,421	8,813
Property Taxes	4,054,758	4,398,522	(343,764)
Grants and Entitlements not Restricted to Specific Programs	10,395,498	10,316,046	79,452
Unrestricted Contributions and Donations	1,250	20	1,230
Investment Earnings	45,911	246,385	(200,474)
Miscellaneous	178,695	90,339	88,356
Total General Revenues	<u>16,036,346</u>	<u>16,402,733</u>	<u>(366,387)</u>
Total Revenues	<u>\$23,661,330</u>	<u>\$23,873,337</u>	<u>(\$212,007)</u>

(continued)

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 2
Changes in Net Position
(continued)

	Governmental Activities		Increase (Decrease)
	2017	2016	
<u>Program Expenses:</u>			
Instruction			
Regular	\$12,751,462	\$12,938,992	(\$187,530)
Special	2,926,065	2,824,267	101,798
Vocational	53,978	31,581	22,397
Student Intervention Services	464,798	349,704	115,094
Support Services			
Pupils	1,418,301	1,133,921	284,380
Instructional Staff	513,987	638,488	(124,501)
Board of Education	504,221	492,242	11,979
Administration	1,033,240	992,127	41,113
Fiscal	605,860	583,982	21,878
Business	13,839	13,996	(157)
Operation and Maintenance of Plant	1,603,236	1,715,966	(112,730)
Pupil Transportation	937,102	1,082,634	(145,532)
Central	0	1,255	(1,255)
Operation of Non-Instructional Services	1,204,126	1,119,442	84,684
Extracurricular Activities	337,683	281,601	56,082
Interest and Fiscal Charges	107,521	220,050	(112,529)
<i>Total Expenses</i>	<u>24,475,419</u>	<u>24,420,248</u>	<u>55,171</u>
<i>Change in Net Position</i>	<u>(814,089)</u>	<u>(546,911)</u>	<u>(\$267,178)</u>
<i>Net Position at Beginning of Year</i>	<u>2,431,671</u>	<u>2,978,582</u>	
<i>Net Position at End of Year</i>	<u><u>\$1,617,582</u></u>	<u><u>\$2,431,671</u></u>	

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted Intergovernmental Revenues were \$7,624,984 for fiscal year 2017. The increase in charges for services was mainly due to an increase in tuition and fees associated with services provided to non-resident students enrolling in the School District.

As previously mentioned, general revenues were \$16,036,346 for fiscal year 2017. The majority of these revenues are in the form of grants and entitlements not restricted to specific programs, and property and income taxes.

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, 2017
Unaudited

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 2017. The largest increase occurred within regular instruction when compared to the prior fiscal year. This increase is mostly due to salary and benefit increases. Pupils also had a significant increase during the fiscal year, which also mainly resulted from salary and benefit increases.

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 \$23,751,926 and expenditures of \$24,622,970.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The General Fund balance increased \$142,675 with revenues outpacing expenditures. Revenues only decreased slightly compared to the prior fiscal year. However, main reason for the decrease was 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 payoff created a significant increase in expenditures that did not occur again during fiscal year 2017.

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 2017, 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 no change in revenues from the original budget to the final budget. There was a significant change in revenues from the final budget to actual revenues received of \$414,116. The primary increase occurred in intergovernmental with actual monies received being even higher than the revised estimate mostly due to increases in Economic Disadvantaged funding, Career Tech funding, and non-resident students open enrolling.

The increase in expenditures from the original to the final budget is \$19,572, which is insignificant. The total difference in actual expenditures made from the final budget is \$187,297. Several variances occurred, with regular instruction and operation of maintenance and plant having the largest variances. These variances are primarily due the timing of the athletic facility construction project. The entire project was included in the final budget. However, as of June 30, 2017, the project was still in progress.

Actual General Fund revenues and Other Financing Sources were less than Expenditures and Other Financing Uses by \$683,740.

The School District's ending unobligated cash balance was \$633,913 above the final budgeted amount.

Capital Assets

At the end of fiscal year 2017, the School District had \$21,434,495 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, 2017
Unaudited

Debt Administration

At June 30, 2017, the School District had \$1,720,000 in outstanding long-term general obligation debt, which includes serial bonds. The School District's long-term liabilities also include \$78,495 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 \$2,099,794 and compensated absences of \$2,032,972.

The School District's overall legal debt margin was \$17,211,708 with an unvoted debt margin of \$205,085 at June 30, 2017.

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, 2017

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$12,493,920
Cash and Cash Equivalents with Fiscal Agent	391,310
Materials and Supplies Inventory	2,801
Inventory Held for Resale	6,746
Accrued Interest Receivable	27,216
Accounts Receivable	35,156
Intergovernmental Receivable	250,555
Prepaid Items	37,356
Income Taxes Receivable	563,485
Property Taxes Receivable	3,478,658
Capital Assets:	
Land	444,360
Construction in Progress	952,458
Depreciable Capital Assets, Net	20,586,630
<i>Total Assets</i>	39,270,651
<u>Deferred Outflows of Resources</u>	
Deferred Charge on Refunding	56,347
Pension	5,807,210
<i>Total Deferred Outflows of Resources</i>	5,863,557
<u>Liabilities:</u>	
Accounts Payable	94,622
Contracts Payable	374,391
Accrued Wages and Benefits Payable	2,117,083
Intergovernmental Payable	293,835
Accrued Interest Payable	11,147
Personal Leave Balance Payable	26,856
Matured Compensated Absences Payable	7,326
Retainage Payable	29,114
Long-Term Liabilities:	
Due Within One Year	610,089
Due in More Than One Year:	
Net Pension Liability (See Note 12)	31,685,970
Other Amounts Due in More Than Year	5,321,172
<i>Total Liabilities</i>	40,571,605
<u>Deferred Inflows of Resources</u>	
Property Taxes	2,401,582
Pension	543,439
<i>Total Deferred Inflows of Resources</i>	2,945,021
<u>Net Position:</u>	
Net Investment in Capital Assets	18,685,095
Restricted for:	
Debt Service	468,077
Capital Projects	462,056
Classroom Facilities	459,633
Athletics	28,774
Federal Programs	38,757
Other Purposes	29,076
Unrestricted	(18,553,886)
<i>Total Net Position</i>	\$1,617,582

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	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	\$12,751,462	\$3,717,088	\$191,631	(\$8,842,743)
Special	2,926,065	144,193	1,708,876	(1,072,996)
Vocational	53,978	0	65,099	11,121
Student Intervention Services	464,798	0	0	(464,798)
Support Services:				
Pupils	1,418,301	0	440,745	(977,556)
Instructional Staff	513,987	0	0	(513,987)
Board of Education	504,221	1,659	5,400	(497,162)
Administration	1,033,240	40,233	0	(993,007)
Fiscal	605,860	0	0	(605,860)
Business	13,839	0	0	(13,839)
Operation and Maintenance of Plant	1,603,236	32,465	25,931	(1,544,840)
Pupil Transportation	937,102	0	18,241	(918,861)
Operation of Non-Instructional Services	1,204,126	294,927	832,255	(76,944)
Extracurricular Activities	337,683	104,241	2,000	(231,442)
Interest and Fiscal Charges	107,521	0	0	(107,521)
<i>Total Governmental Activities</i>	\$24,475,419	\$4,334,806	\$3,290,178	(16,850,435)

General Revenues:

Income Taxes	1,360,234
Property Taxes Levied for:	
General Purposes	3,725,247
Debt Service	267,349
Capital Outlay	62,162
Grants and Entitlements not Restricted to Specific Programs	10,395,498
Unrestricted Contributions and Donations	1,250
Investment Earnings	45,911
Miscellaneous	178,695
<i>Total General Revenues</i>	16,036,346
<i>Change in Net Position</i>	(814,089)
<i>Net Position at Beginning of Year</i>	2,431,671
<i>Net Position at End of Year</i>	\$1,617,582

See accompanying notes to the basic financial statements

Union Scioto Local School District

Balance Sheet

Governmental Funds

June 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$10,102,101	\$2,329,586	\$12,431,687
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	4,755	0	4,755
Receivables:			
Property Taxes	3,207,104	271,554	3,478,658
Income Taxes	563,485	0	563,485
Intergovernmental	50,929	199,626	250,555
Accounts	28,607	6,549	35,156
Interfund	303	0	303
Accrued Interest	27,216	0	27,216
Prepaid Items	37,356	0	37,356
Materials and Supplies Inventory	0	2,801	2,801
Inventory Held for Resale	0	6,746	6,746
<i>Total Assets</i>	<u>\$14,021,856</u>	<u>\$2,816,862</u>	<u>\$16,838,718</u>
<u>Liabilities:</u>			
Accounts Payable	\$84,596	\$10,026	\$94,622
Accrued Wages and Benefits Payable	1,843,651	273,432	2,117,083
Contracts Payable	0	374,391	374,391
Retainage Payable	0	29,114	29,114
Intergovernmental Payable	283,158	10,677	293,835
Interfund Payable	0	303	303
Personal Leave Balances Payable	26,856	0	26,856
Matured Compensated Absences Payable	7,326	0	7,326
<i>Total Liabilities</i>	<u>2,245,587</u>	<u>697,943</u>	<u>2,943,530</u>
<u>Deferred Inflows of Resource:</u>			
Property Taxes	2,215,786	185,796	2,401,582
Unavailable Revenue	189,448	114,417	303,865
<i>Total Deferred Inflows of Resources</i>	<u>2,405,234</u>	<u>300,213</u>	<u>2,705,447</u>
<u>Fund Balances:</u>			
Nonspendable	42,111	2,801	44,912
Restricted	0	993,020	993,020
Committed	204,772	0	204,772
Assigned	777,169	1,005,645	1,782,814
Unassigned (Deficit)	8,346,983	(182,760)	8,164,223
<i>Total Fund Balances</i>	<u>9,371,035</u>	<u>1,818,706</u>	<u>11,189,741</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$14,021,856</u>	<u>\$2,816,862</u>	<u>\$16,838,718</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, 2017

Total Governmental Fund Balances \$11,189,741

**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	952,458	
Depreciable capital assets	43,655,415	
Accumulated depreciation	<u>(23,068,785)</u>	
Total capital assets		21,983,448

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	80,859	
Income taxes	106,725	
Intergovernmental	107,969	
Accrued interest	<u>8,312</u>	
Total		303,865

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. 448,788

Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and, therefore are not reported in the funds. 56,347

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	5,807,210	
Deferred Inflows - Pension	(543,439)	
Net Pension Liability	<u>(31,685,970)</u>	
Total		(26,422,199)

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	(1,720,000)	
Accrued interest on bonds	(11,147)	
Premium on refunding	(78,495)	
Capital leases	(2,099,794)	
Compensated absences	<u>(2,032,972)</u>	
Total liabilities		<u>(5,942,408)</u>

Net Position of Governmental Activities \$1,617,582

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, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$3,741,153	\$332,687	\$4,073,840
Income Taxes	1,331,837	0	1,331,837
Intergovernmental	11,293,106	2,481,175	13,774,281
Investment Earnings	43,253	19	43,272
Tuition and Fees	3,861,281	0	3,861,281
Rent	32,465	0	32,465
Extracurricular Activities	40,219	104,241	144,460
Contributions and Donations	1,250	13,945	15,195
Customer Sales and Services	1,673	294,927	296,600
Miscellaneous	146,525	32,170	178,695
<i>Total Revenues</i>	<u>20,492,762</u>	<u>3,259,164</u>	<u>23,751,926</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	11,491,001	402,118	11,893,119
Special	1,904,729	885,361	2,790,090
Vocational	53,438	0	53,438
Student Intervention Services	361,893	0	361,893
Support Services:			
Pupils	885,261	446,455	1,331,716
Instructional Staff	594,217	61	594,278
Board of Education	498,567	5,400	503,967
Administration	959,720	0	959,720
Fiscal	558,556	7,789	566,345
Business	13,352	0	13,352
Operation and Maintenance of Plant	1,640,765	236,583	1,877,348
Pupil Transportation	910,768	0	910,768
Operation of Non-Instructional Services	3,469	1,140,103	1,143,572
Extracurricular Activities	177,667	117,292	294,959
Capital Outlay	0	927,358	927,358
Debt Service:			
Principal Retirement	42,674	250,000	292,674
Interest and Fiscal Charges	26,510	81,863	108,373
<i>Total Expenditures</i>	<u>20,122,587</u>	<u>4,500,383</u>	<u>24,622,970</u>
<i>Excess of Revenues Under Expenditures</i>	<u>370,175</u>	<u>(1,241,219)</u>	<u>(871,044)</u>
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	0	2,045,000	2,045,000
Transfers Out	(227,500)	0	(227,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(227,500)</u>	<u>2,045,000</u>	<u>1,817,500</u>
<i>Net Change in Fund Balances</i>	142,675	803,781	946,456
<i>Fund Balances at Beginning of Year</i>	<u>9,228,360</u>	<u>1,014,925</u>	<u>10,243,285</u>
<i>Fund Balances at End of Year</i>	<u>\$9,371,035</u>	<u>\$1,818,706</u>	<u>\$11,189,741</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, 2017

Net Change in Fund Balances - Total Governmental Funds \$946,456

**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	1,407,700	
Construction in progress additions	952,458	
Depreciation expense	<u>(1,404,547)</u>	
Excess of capital outlay over depreciation expense		955,611

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	(19,082)	
Income taxes	28,397	
Intergovernmental	(102,569)	
Investment earnings	<u>2,658</u>	
Total		(90,596)

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. 30,145

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability. (2,045,000)

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 1,500,142

Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the Statement of Activities. (2,447,078)

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	250,000	
Capital leases	<u>42,674</u>	
Total long-term debt repayment		292,674

Amortization of bond premiums, the deferred gain/loss on the refunding of debt, and accrued interest 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)	
Increase in accrued interest payable	<u>(2,893)</u>	
Amortization of bond premium	<u>13,268</u>	
Total		852

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

Decrease in compensated absences and vacation payable	<u>42,705</u>
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Change in Net Position of Governmental Activities (\$814,089)

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$3,584,308	\$3,584,308	\$3,617,291	\$32,983
Income Taxes	1,349,507	1,349,507	1,340,129	(9,378)
Intergovernmental	11,037,111	11,037,111	11,233,872	196,761
Investment Earnings	100,000	100,000	129,606	29,606
Tuition and Fees	3,776,886	3,776,886	3,862,346	85,460
Rent	25,000	25,000	32,465	7,465
Contributions and Donations	0	0	1,250	1,250
Customer Sales and Services	0	0	1,659	1,659
Miscellaneous	54,755	54,755	123,065	68,310
<i>Total Revenues</i>	<u>19,927,567</u>	<u>19,927,567</u>	<u>20,341,683</u>	<u>414,116</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	11,573,210	11,596,036	11,455,484	140,552
Special	1,743,088	1,765,088	1,872,365	(107,277)
Vocational	10,102	10,102	53,438	(43,336)
Student Intervention Services	345,379	345,379	362,492	(17,113)
Support Services:				
Pupils	832,353	832,353	879,905	(47,552)
Instructional Staff	730,580	688,501	678,171	10,330
Board of Education	863,046	863,046	774,954	88,092
Administration	951,609	951,609	964,607	(12,998)
Fiscal	584,766	582,019	571,050	10,969
Business	154,332	154,332	164,812	(10,480)
Operation and Maintenance of Plant	1,913,472	1,913,472	1,742,101	171,371
Pupil Transportation	972,048	972,048	981,926	(9,878)
Central	1,293	1,293	0	1,293
Extracurricular Activities	168,502	168,502	177,046	(8,544)
Capital Outlay	21,868	21,868	0	21,868
Debt Service:				
Interest and Fiscal Charges	0	19,572	19,572	0
<i>Total Expenditures</i>	<u>20,865,648</u>	<u>20,885,220</u>	<u>20,697,923</u>	<u>187,297</u>
<i>Excess of Revenues Under Expenditures</i>	(938,081)	(957,653)	(356,240)	601,413
<u>Other Financing Uses:</u>				
Transfers Out	(360,000)	(360,000)	(327,500)	32,500
<i>Net Change in Fund Balance</i>	(1,298,081)	(1,317,653)	(683,740)	633,913
<i>Fund Balance at Beginning of Year</i>	8,821,854	8,821,854	8,821,854	0
<i>Prior Year Encumbrances Appropriated</i>	<u>890,305</u>	<u>890,305</u>	<u>890,305</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$8,414,078</u>	<u>\$8,394,506</u>	<u>\$9,028,419</u>	<u>\$633,913</u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2017

	<u>Self-Insurance</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$57,478
Cash and Cash Equivalents with Fiscal Agent	<u>391,310</u>
<i>Total Assets</i>	<u>448,788</u>
<u>Net Position:</u>	
Unrestricted	<u><u>\$448,788</u></u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Revenues, Expenses
and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2017

	Self-Insurance
<u>Operating Revenues:</u>	
Charges for Services	\$59,358
<u>Operating Expenses:</u>	
Purchased Services	3,188
Claims	253,525
<i>Total Operating Expenses</i>	256,713
<i>Loss Before Transfers</i>	(197,355)
Transfers In	227,500
<i>Change in Net Position</i>	30,145
<i>Net Position at Beginning of Year</i>	418,643
<i>Net Position at End of Year</i>	\$448,788

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, 2017

	<u>Self-Insurance</u>
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>	
<u>Cash Flows from Operating Activities:</u>	
Receipts from Interfund Services Provided	\$59,358
Cash Payments to Suppliers for Goods and Services	(3,188)
Cash Payments for Claims	<u>(257,511)</u>
<i>Net Cash Used for Operating Activities</i>	(201,341)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers	<u>227,500</u>
<i>Increase in Cash and Cash Equivalents</i>	26,159
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>422,629</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$448,788</u></u>
<i>Reconciliation of Operating Loss to Net Cash</i>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$197,355)
<i>Adjustments to Reconcile Operating Loss to</i>	
<u>Net Cash Used for Operating Activities:</u>	
Changes in Assets and Liabilities:	
Decrease in Claims Payable	<u>(3,986)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$201,341)</u></u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2017

	<u>Student Managed Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$55,211</u></u>
<u>Liabilities:</u>	
Undistributed Monies	<u><u>\$55,211</u></u>

See accompanying notes to the basic financial statements

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Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 130 certificated teaching personnel, and 13 administrative employees who provide services to 2,144 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, 2017

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
- Pickaway-Ross County Career and Technology Center
- Great Seal Education Network of Tomorrow
- Ohio Association of School Business 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, 2017

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, 2017

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
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Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in 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, 2017

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, 2017, but which were levied to finance fiscal year 2018 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. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 15. 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, 2017

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, 2017, is presented as "Cash and Cash Equivalents with Fiscal Agent".

Union Scioto Local School District
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During fiscal year 2017, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), Fifth Third Money Market Account, Negotiable Certificates of Deposit, and United States Treasury Securities. For investments in open-ended mutual funds, the fair value is determined by the fund's current share price. 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 2017, 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 2017, 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 2017 amounted to \$43,253, which includes \$8,422 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.

Interfund Balances

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

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

Capital Assets

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

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

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

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

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.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

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.

Union Scioto Local School District
Notes to the Basic Financial Statements
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Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Fund Balance

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

Nonspendable

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

Restricted

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

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.

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Notes to the Basic Financial Statements
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Unassigned

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

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

Net Position

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

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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 PRINCIPLE

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. However, the School District had no abatement that met the GASB 77 definition.

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 – ACCOUNTABILITY

At June 30, 2017, the Lunchroom, Early Childhood Grant, IDEA-B, Title I and Title II-A Improving Teacher Quality Special Revenue Funds had deficit fund balances of \$67,112, \$17,495, \$10,547, \$71,973, and \$12,832, 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).
5. Certain funds are accounted for as a separate funds internally with legally adopted

Union Scioto Local School District
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For the Fiscal Year Ended June 30, 2017

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	\$142,675
Adjustments:	
Revenue Accruals	(193,818)
Expenditure Accruals	200,598
Transfers	(100,000)
Encumbrances	(840,300)
Net Increase in Fair	
Value of Investments - Fiscal Year 2016	93,330
Net Increase in Fair	
Value of Investments - Fiscal Year 2017	(8,174)
Perspective Differences	21,949
Budget Basis	(\$683,740)

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Union Scioto Local School District
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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, 2017, 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
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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. At fiscal year-end, \$1,433,220 of the School District's bank balance of \$1,933,220 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

Investments

As of June 30, 2017, the School District had the following investment:

Measurement / Investment	Measurement Amount	Investment Maturities Less Than 1 Year	Investment Maturities (in Years) 1 - 2	Investment Maturities (in Years) 3 - 5	S&P Rating	Percent of Total Investments
Net Asset Value per Share:						
STAROhio	\$1,003,168	\$1,003,168	\$0	\$0	N/A	N/A
Fair Value Level 1 Inputs:						
Fifth Third Money Market	599,171	599,171	0	0	N/A	N/A
Fair Value Level 2 Inputs:						
Negotiable Certificates of Deposit	5,683,541	1,244,463	1,992,205	2,446,873	N/A	N/A
United States Treasury Securities	3,413,650	1,996,795	0	1,416,855	AA+	31.90%
Totals	<u>\$10,699,530</u>	<u>\$4,843,597</u>	<u>\$1,992,205</u>	<u>\$3,863,728</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, 2017. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research

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publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (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.

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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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.

Union Scioto Local School District
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Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected 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, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017, 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, 2017, was \$916,907 in the General Fund and \$79,310 in the Other Governmental Funds. 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.

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 2017 taxes were collected are:

	2016 Second - Half Collections		2017 First - Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$186,162,510	96.42%	\$197,987,280	96.54%
Public Utility Personal	6,905,430	3.58%	7,098,200	3.46%
Total Assessed Value	<u>\$193,067,940</u>	<u>100.00%</u>	<u>\$205,085,480</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$34.10		 \$33.70	

Union Scioto Local School District
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For the Fiscal Year Ended June 30, 2017

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, 2017, consisted of property and income taxes, intergovernmental, accounts, interfund, and accrued interest. All receivables, except for property taxes, are considered fully collectible within one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Title I Grant	\$151,043
Early Childhood Education Grant	3,244
Special Education, Part B-IDEA Grant	11,742
Title II-A, Improving Teacher Quality Grant	2,376
Medicaid Reimbursement	6,076
Foundation Adjustment	44,853
Miscellaneous Federal Grants	31,221
Total Intergovernmental Receivables	<u><u>\$250,555</u></u>

NOTE 10 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

Union Scioto Local School District
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	Balance at 6/30/2016	Additions	Deletions	Balance at 6/30/2017
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$444,360	\$0	\$0	\$444,360
Construction in Progress	95,525	952,458	(95,525)	952,458
Total Capital Assets Not Being Depreciated	539,885	952,458	(95,525)	1,396,818
Capital Assets Being Depreciated:				
Land Improvements	1,898,511	7,427	0	1,905,938
Buildings and Improvements	36,612,590	1,249,964	(359,000)	37,503,554
Furniture, Fixtures and Equipment	1,803,346	97,330	0	1,900,676
Vehicles	1,762,905	102,455	(122,243)	1,743,117
Textbooks and Educational Media	556,081	46,049	0	602,130
Total Capital Assets Being Depreciated	42,633,433	1,503,225	(481,243)	43,655,415
Less Accumulated Depreciation:				
Land Improvements	(1,153,231)	(87,905)	0	(1,241,136)
Buildings and Improvements	(17,788,227)	(1,114,212)	359,000	(18,543,439)
Furniture, Fixtures and Equipment	(1,283,712)	(129,438)	0	(1,413,150)
Vehicles	(1,370,877)	(66,496)	122,243	(1,315,130)
Textbooks and Educational Media	(549,434)	(6,496)	0	(555,930)
Total Accumulated Depreciation	(22,145,481)	(1,404,547) *	481,243	(23,068,785)
Total Capital Assets Being Depreciated, Net	20,487,952	98,678	0	20,586,630
Governmental Activities Capital Assets, Net	\$21,027,837	\$1,051,136	(\$95,525)	\$21,983,448

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,236,506
Vocational	281
Support Services:	
Pupils	646
Instructional Staff	7,059
Administration	4,598
Fiscal	1,321
Business	487
Operation and Maintenance of Plant	29,398
Pupil Transportation	66,080
Operation of Non-Instructional Services	20,281
Extracurricular Activities	37,890
Total Depreciation Expense	\$1,404,547

Union Scioto Local School District
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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 2017, the School District contracted with Ohio Casualty for building and contents and fleet insurance.

During fiscal year 2017, 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 2017, 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.

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.

Union Scioto Local School District
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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
2016	\$0	\$264,026	\$260,040	\$3,986
2017	3,986	253,525	257,511	0

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.

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.

Union Scioto Local School District
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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 years 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.

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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

Union Scioto Local School District
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The School District's contractually required contribution to SERS was \$369,754 for fiscal year 2017. Of this amount \$82,101 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 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 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

Union Scioto Local School District
Notes to the Basic Financial Statements
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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 to 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, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,130,388 for fiscal year 2017. Of this amount \$177,571 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, 2016, 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	0.08625250%	0.07715906%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.08625630%</u>	<u>0.07580078%</u>	
Change in Proportionate Share	<u>0.00000380%</u>	<u>-0.00135828%</u>	
Proportionate Share of the Net			
Pension Liability	\$6,313,164	\$25,372,806	\$31,685,970
Pension Expense	\$724,717	\$1,722,361	\$2,447,078

At June 30, 2017, 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	\$85,150	\$1,025,183	\$1,110,333
Changes of assumptions	421,438	0	421,438
Net difference between projected and actual earnings on pension plan investments	520,744	2,106,625	2,627,369
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	147,928	0	147,928
School District contributions subsequent to the measurement date	<u>369,754</u>	<u>1,130,388</u>	<u>1,500,142</u>
Total Deferred Outflows of Resources	<u>\$1,545,014</u>	<u>\$4,262,196</u>	<u>\$5,807,210</u>
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>\$0</u>	<u>\$543,439</u>	<u>\$543,439</u>

\$1,500,142 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, 2018. 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:			
2018	\$325,215	\$340,118	\$665,333
2019	324,839	340,118	664,957
2020	375,514	1,148,488	1,524,002
2021	149,692	759,645	909,337
Total	\$1,175,260	\$2,588,369	\$3,763,629

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, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

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For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 averaged 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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 (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

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	1% Decrease ▼ (6.50%)	Current Discount Rate (7.50%)	1% Increase ▼ (8.50%)
School District's proportionate share of the net pension liability	\$8,358,237	\$6,313,164	\$4,601,355

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
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, including inflation
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, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range 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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
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	1.00	3.00
Total	100.00 %	7.61 %

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Union Scioto Local School District
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Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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 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 of future plan members, are excluded. 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, 2016. 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, 2016.

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	\$33,718,397	\$25,372,806	\$18,332,808

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

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. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. 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.

Union Scioto Local School District
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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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. 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 2017, the School District's surcharge obligation was \$46,109.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$46,109, \$44,576, and \$65,439, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

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 partial 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, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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. 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. Dental insurance is provided to employees as a fully insured plan administered by 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 2014, the School District replaced its old copier lease with a new copier lease. The new lease in the amount of \$199,773 was recorded as a long-term liability.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

During fiscal year 2017, the School District entered into a lease-purchase agreement with Branch Banking and Trust Company to construct, equip and furnish a new athletic locker room building, the renovation of an existing building into a new wrestling and storage building, the renovation of an existing room within the high school into a new weight/fitness room and related parking lot improvements. The lease arrangement is for a period not to exceed 10 years. Annual payments associated with the lease-Purchase agreement will range between \$216,000 and \$229,815 per year. The project is still continuing and any assets will be added to the School District's asset system upon completion of the project.

Capital assets acquired by lease were initially capitalized in the amount of \$199,773 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 2017 totaled \$42,674 and were paid from the General Fund. The assets acquired through capital leases as of June 30, 2017, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Copiers	\$199,773	(\$156,490)	\$43,283

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, 2017:

	Fiscal Year Ending June 30,	Total Payments
	2018	\$266,503
	2019	236,254
	2020	228,866
	2021	229,640
	2022	230,306
	2023-2027	1,141,338
Total		2,332,907
Less: Amount Representing Interest		(233,113)
Present Value of Net Minimum Lease Payments		\$2,099,794

NOTE 16 – LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2017 were as follows:

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

	Amounts Outstanding 6/30/16	Additions	Deductions	Amounts Outstanding 6/30/17	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2006 School Improvement					
Refunding Bonds - 3.65% to 4.75%					
Serial Bonds	\$1,970,000	\$0	\$250,000	\$1,720,000	\$255,000
Premium on Refunding	91,763	0	13,268	78,495	0
Total General Obligations Bonds	<u>2,061,763</u>	<u>0</u>	<u>263,268</u>	<u>1,798,495</u>	<u>255,000</u>
Net Pension Liability:					
SERS	4,921,650	1,391,514	0	6,313,164	0
STRS	21,324,507	4,048,299	0	25,372,806	0
Total Net Pension Liability	<u>26,246,157</u>	<u>5,439,813</u>	<u>0</u>	<u>31,685,970</u>	<u>0</u>
Capital Leases	97,468	2,045,000	42,674	2,099,794	221,617
Compensated Absences	2,075,677	7,065	49,770	2,032,972	133,472
Total Governmental Activities					
Long-Term Obligations	<u>\$30,481,065</u>	<u>\$7,491,878</u>	<u>\$355,712</u>	<u>\$37,617,231</u>	<u>\$610,089</u>

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

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

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30,	Serial Bonds	
	Principal	Interest
2018	\$255,000	\$70,816
2019	270,000	59,331
2020	280,000	47,300
2021	295,000	34,537
2022	305,000	21,037
2023	315,000	7,088
Totals	<u>\$1,720,000</u>	<u>\$240,109</u>

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Food Service, Early Childhood Grant, IDEA Part B, Title I, and Title II-A Improving Teacher Quality. For additional information related to the net pension liability see Note 12.

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

The School District’s overall legal debt margin was \$17,211,708 with an unvoted debt margin of \$205,085 at June 30, 2017.

NOTE 17 – INTERFUND ACTIVITY

Advances

The General Fund advanced \$303 to the School District’s scholarship fund. Advancing monies to other funds is necessary due to timing differences in the receiving of monies. When the monies are finally received, the fund will use those restricted monies to reimburse the General Fund for the initial advance.

Transfers

Transfers made during the fiscal year ended June 30, 2017, were as follows:

	Transfers From
Transfers To	General Fund
Internal Service Fund	\$227,500

For fiscal year 2017, 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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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. The subcontract agreement is currently set to expire after October 31, 2017. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG \$111,719 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments through META Solutions, David Varda, CFO, 100 Executive Drive, Marion Ohio 43302.

Pickaway-Ross County Career and Technology Center

The Pickaway-Ross County Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of 11 representatives from the various City and County boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Technology Center including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The Technology Center provides vocational instruction to students in both Pickaway and Ross Counties. 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, Todd Stahr 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.

NOTE 20 – PUBLIC ENTITY SHARED RISK POOL

Ross County School Employees Insurance Consortium

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

NOTE 21 – SET-ASIDE CALCULATIONS

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2016	\$0
Current Fiscal Year Set-aside Requirement	380,594
Current Fiscal Year Offsets	(129,133)
Qualifying Disbursements	(251,461)
Set-aside Balance as of June 30, 2017	\$0

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is 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:

General Fund	\$840,300
Internal Service Fund	32,953
Nonmajor Governmental Funds	1,291,674
Total	\$2,164,927

Contractual Commitments

The following table provides a summary of the outstanding contractual commitments as of June 30, 2017:

Project	Contract Amount	Amount Expended	Contract Remaining
Athletic Facilities	\$1,689,812	\$952,095	\$737,717

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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:

Fund Balances	General	Nonmajor Governmental Funds	Total
Nonspendable			
Prepays	\$37,356	\$0	\$37,356
Inventory	0	2,801	2,801
Unclaimed Monies	4,755	0	4,755
Total Nonspendable	<u>42,111</u>	<u>2,801</u>	<u>44,912</u>
Restricted for			
Debt Payment	0	474,015	474,015
Special Donations	0	1,697	1,697
Other Local Grants	0	4,683	4,683
Facilities Maintenance	0	458,394	458,394
Extracurricular Activities	0	28,774	28,774
Ross County Christian Academy	0	22,696	22,696
Miscellaneous Federal Grants	0	2,761	2,761
Total Restricted	<u>0</u>	<u>993,020</u>	<u>993,020</u>
Committed for			
Severance	<u>204,772</u>	<u>0</u>	<u>204,772</u>
Assigned to			
Capital Improvements	0	1,005,645	1,005,645
Purchases on Order	739,340	0	739,340
Assigned to Principals	<u>37,829</u>	<u>0</u>	<u>37,829</u>
Total Assigned	<u>777,169</u>	<u>1,005,645</u>	<u>1,782,814</u>
Unassigned (Deficit)	<u>8,346,983</u>	<u>(182,760)</u>	<u>8,164,223</u>
Total Fund Balances	<u>\$9,371,035</u>	<u>\$1,818,706</u>	<u>\$11,189,741</u>

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 are 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, 2017, 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. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Litigation

The School District is not party to any legal proceedings.

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 Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.08625630%	0.08625250%	0.08195000%	0.08195000%
School District's Proportionate Share of the Net Pension Liability	\$6,313,164	\$4,921,650	\$4,147,443	\$4,873,303
School District's Covered Payroll	\$2,813,000	\$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 Payroll	224.43%	183.42%	165.78%	238.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Note: 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 Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07580078%	0.07715906%	0.07850294%	0.78502940%
School District's Proportionate Share of the Net Pension Liability	\$25,372,806	\$21,324,507	\$19,094,631	\$22,745,401
School District's Covered Payroll	\$8,157,543	\$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 Payroll	311.03%	264.33%	242.14%	296.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Note: 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$369,754	\$393,820	\$353,648	\$346,745
Contributions in Relation to the Contractually Required Contribution	<u>(369,754)</u>	<u>(393,820)</u>	<u>(353,648)</u>	<u>(346,745)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$2,641,100	\$2,813,000	\$2,683,214	\$2,501,771
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$283,329	\$228,663	\$99,159	\$284,539	\$178,421	\$177,649
(283,329)	(228,663)	(99,159)	(284,539)	(178,421)	(177,649)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,047,176	\$1,700,094	\$788,857	\$2,101,471	\$1,813,223	\$1,809,050
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,130,388	\$1,142,056	\$1,129,413	\$1,025,170
Contributions in Relation to the Contractually Required Contribution	<u>(1,130,388)</u>	<u>(1,142,056)</u>	<u>(1,129,413)</u>	<u>(1,025,170)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$8,074,200	\$8,157,543	\$8,067,236	\$7,885,923
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$997,075	\$984,202	\$1,008,176	\$1,000,804	\$909,196	\$844,016
<u>(997,075)</u>	<u>(984,202)</u>	<u>(1,008,176)</u>	<u>(1,000,804)</u>	<u>(909,196)</u>	<u>(844,016)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,669,808	\$7,573,092	\$7,755,200	\$7,698,492	\$6,993,815	\$6,492,431
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Union Scioto Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

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	69,474	69,474
Cash Assistance				
School Breakfast Program	3L70	10.553	144,553	144,553
National School Lunch Program	3L60	10.555	432,050	432,050
Total Nutrition Cluster			<u>646,077</u>	<u>646,077</u>
Child and Adult Care Food Program	3L80	10.558	2,992	2,992
Total U.S. Department of Agriculture			<u>649,069</u>	<u>649,069</u>
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Title I Grants to Local Educational Agencies -	3M00	84.010	878,492	895,450
Special Education Cluster:				
Special Education Grants to States	3M20	84.027	404,457	407,356
Total Special Education Grants to States Cluster			<u>404,457</u>	<u>407,356</u>
Title VI, Rural and Low Income	3Y80	84.358	46,602	49,927
Improving Teacher Quality State Grants	3Y60	84.367	64,436	64,965
Total U.S. Department of Education			<u>1,393,987</u>	<u>1,417,698</u>
Total Federal Awards Receipts and Expenditures			<u>2,043,056</u>	<u>2,066,767</u>

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Receipts and Expenditures Schedule (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, 2017. 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 programs 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, the 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, 2017, 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 8, 2018.

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 report 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 8, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH 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 Each Major Federal Program

We have audited 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 Union Scioto Local School District's major federal programs for the year ended June 30, 2017. 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 programs 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 programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Union Scioto Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal programs' 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 8, 2018

**UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

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
<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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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 29, 2018