

Union Scioto Local School District
Ross County, Ohio

Single Audit

July 1, 2008 through June 30, 2009
Fiscal Year Audited Under GAGAS: 2009



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639
800 Gallia Street, Suite 38, Portsmouth, Ohio 45662 Phone: 740.876.9121 Fax: 800.210.2573



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Union Scioto Local School District, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 5, 2010

This Page is Intentionally Left Blank.

Union Scioto Local School District
Ross County, Ohio

Table of Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	20
Statement of Fund Net Assets – Internal Service Fund	21
Statement of Changes in Fund Net Assets – Internal Service Fund	22
Statement of Cash Flows – Internal Service Fund.....	23
Statement of Fiduciary Assets and Liabilities – Agency Fund.....	24
Notes to the Basic Financial Statements	25
Schedule of Federal Awards Receipts and Expenditures.....	57
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	58
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	59
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	61
Schedule of Findings – OMB Circular A-133 §.505.....	63
Schedule of Prior Audit Findings.....	64
Independent Auditor’s Report on Applying Agreed-Upon Procedures.....	65

This Page is Intentionally Left Blank.



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Scioto Local School District, Ross County, (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

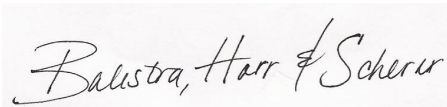
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Members of the Board
Union Scioto Local School District
Independent Auditor's Report
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Balestra, Harr & Scherer, CPAs, Inc.

December 22, 2009

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The discussion and analysis of the Union Scioto Local School District's financial performance provides an overall review of the School District's financial activities for 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.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*," issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

In total, net assets increased \$994,564, which represents a 3.3 percent increase from fiscal year 2008.

Total assets of governmental activities increased \$1,778,856. Of this, capital assets decreased \$473,965 due to depreciation of \$1,342,272, offset by additions of capital assets of \$868,307.

General revenues accounted for \$14,831,271, or 76.2 percent of all revenues. Program specific revenues in the form of Charges for Services and Sales, Operating Grants, Contributions and Interest, and Capital Grants and Contributions accounted for \$4,631,457 or 23.8 percent of total revenues of \$18,468,164.

The School District had \$18,468,164 in expenses related to governmental activities; only \$4,631,457 of these expenses were offset by program specific charges for services, sales, grants, interest, or contributions. General revenues (primarily taxes and grants and entitlements) of \$14,831,271 provided for these programs.

Using the Basic Financial Statements

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

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

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports 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

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statements 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 medical, surgical and dental benefits provided to the School District's employees.

Fiduciary Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal years 2009 and 2008:

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

(Table 1)
Net Assets

	Governmental Activities		Increase/ (Decrease)
	2009	2008	
Assets			
Current Assets	\$16,907,830	\$14,655,000	\$2,252,830
Capital Assets, Net	25,522,169	25,996,134	(473,965)
Total Assets	42,429,999	40,651,134	1,778,865
Liabilities			
Other Liabilities	4,845,676	4,955,759	(110,083)
Long-Term Liabilities	6,303,401	5,409,017	894,384
Total Liabilities	11,149,077	10,364,776	784,301
Net Assets			
Invested in Capital Assets, Net of Related Debt	21,617,897	22,672,059	(1,054,162)
Restricted	1,950,726	1,838,916	111,810
Unrestricted (Deficit)	7,712,299	5,775,383	1,936,916
Total Net Assets	\$31,280,922	\$30,286,358	\$994,564

Total assets of governmental activities increased \$1,778,865 and capital assets decreased \$473,965. Capital assets decreased primarily due to the current year's depreciation expense. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, increased \$1,936,916. This was caused, in part, by the increase in net proceeds from open enrollment students coming into the School District, by moving teachers that were paid from the General Fund to other governmental funds and by replacing retired teachers with less experienced teachers. Restricted net assets, the part of net assets that must be used according to legal requirements or by grant restrictions, increased \$111,810. This increase was due to poverty aid funding.

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as fees, restricted grants, contributions, and interest, and charges for services. General Revenues include property taxes, unrestricted grants, such as State foundation support.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

(Table 2)
Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008	Increase/ (Decrease)
Revenues			
Program Revenues:			
Charges for Services and Sales	\$2,638,201	\$2,064,837	\$573,364
Operating Grants, Contributions, and Interest	1,979,941	2,006,369	(26,428)
Capital Grants and Contributions	13,315	13,000	315
Total Program Revenues	<u>4,631,457</u>	<u>4,084,206</u>	<u>547,251</u>
General Revenues:			
Income Taxes	1,102,131	1,107,173	(5,042)
Property Taxes	3,570,692	3,419,668	151,024
Grants and Entitlements not Restricted to Specific Programs	10,016,883	9,602,492	414,391
Contributions and Donations	12,420	0	12,420
Interest	76,605	291,765	(215,160)
Miscellaneous	52,540	52,053	487
Total General Revenues	<u>14,831,271</u>	<u>14,473,151</u>	<u>358,120</u>
Total Revenues	<u>\$19,462,728</u>	<u>\$18,557,357</u>	<u>\$905,371</u>

(continued)

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

(continued)

	Governmental Activities 2009	Governmental Activities 2008	Increase/ (Decrease)
Program Expenses			
Instruction:			
Regular	\$8,917,107	\$8,297,899	\$619,208
Special	1,200,173	1,135,853	64,320
Vocational	8,990	2,649	6,341
Support Services:			
Pupils	868,544	740,951	127,593
Instructional Staff	686,113	843,285	(157,172)
Board of Education	1,573,855	1,272,249	301,606
Administration	1,060,342	1,228,705	(168,363)
Fiscal	385,313	391,573	(6,260)
Business	74,804	73,084	1,720
Operation and Maintenance of Plant	1,588,516	1,532,119	56,397
Pupil Transportation	845,418	889,561	(44,143)
Central	9,000	9,000	0
Operation of Non-Instructional Services:			
Food Service Operations	803,685	809,523	(5,838)
Extracurricular Activities	234,019	297,439	(63,420)
Interest and Fiscal Charges	212,285	192,435	19,850
Total Expenses	<u>18,468,164</u>	<u>17,716,325</u>	<u>751,839</u>
Change in Net Assets	994,564	841,032	153,532
Net Assets at Beginning of Year	<u>30,286,358</u>	<u>29,445,326</u>	<u>841,032</u>
Net Assets at End of Year	<u>\$31,280,922</u>	<u>\$30,286,358</u>	<u>\$994,564</u>

Governmental Activities

General revenues accounted for \$14,831,271, or 76.2 percent of all revenues. Program specific revenues in the form of Charges for Services and Sales, Operating Grants, Contributions and Interest, and Capital Grants and Contributions accounted for \$4,631,457 or 23.8 percent of total revenues of \$19,462,728.

Grants and entitlements not restricted to specific programs made up 51.5 percent of total revenues for governmental activities of the School District.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for School District operations. Property taxes made up 18.3 percent of revenues for governmental activities for the School District for fiscal year 2009.

Instruction comprises 54.8 percent of School District expenses. Support Services make up 38.4 percent of the total expenses. In fiscal year 2009, instruction costs increased \$689,869 and Support Services costs increased \$111,378 from the prior fiscal year. The increase was due, in part, to an

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

increase in salaries and benefits, utility and fuel costs, higher membership fees, and the purchase of new technology and instructional materials.

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

Support Services, for which the total cost of services increased \$111,378 over the prior fiscal year, consists of several function categories as follows:

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

Board of education, administration and fiscal 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 expense 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

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees, and donations and interest.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 3
Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Instruction	\$ 10,126,270	\$ 6,970,161	\$ 9,436,401	\$ 6,726,842
Support Services	7,091,905	6,565,091	6,980,527	6,470,950
Operation of Non- Instructional Services	803,685	(62,505)	809,523	27,301
Extracurricular Activities	234,019	151,675	297,439	214,591
Interest and Fiscal Charges	212,285	212,285	192,435	192,435
<i>Total Expenses</i>	<u>\$ 18,468,164</u>	<u>\$ 13,836,707</u>	<u>\$ 17,716,325</u>	<u>\$ 13,632,119</u>

The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,621,276 and expenditures of \$18,608,355. The net change in fund balance for the fiscal year in the General Fund was \$1,665,536. Revenues increased \$1,205,528 primarily due to Intergovernmental Revenues, while total expenditures increased \$1,846,480 due to an increase in salaries and benefits, utility and fuel costs, higher membership fees, the purchase of new technology and instructional materials, the School District not transferring money to the Permanent Improvement Capital Projects Fund during fiscal year 2009. Also, the School District began a House Bill 264 Energy Conservation Project with the Ohio School Facilities Commission to upgrade the School District's heating and cooling system at their elementary and junior and senior high school buildings.

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.

For the General Fund, the final budget basis revenues differed from the original budgeted estimates of \$15,475,540 by \$795,552 to \$16,271,092. For fiscal year 2009, the School District filed an amended certificate of estimated resources which had estimated revenues equaling actual revenues.

At the end of fiscal year 2009, the School District amended its General Fund budget (and all other funds' budgets) so that the final appropriations equaled actual expenditures for the fiscal year. This resulted in the General Fund's final appropriations increasing \$798,574 over the original appropriations. This was due to increases in Instruction and Capital Outlay.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Capital Assets

At the end of fiscal year 2009, the School District had \$25,522,169 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, and textbooks and instructional media.

Table 4 shows fiscal year 2009 balances compared to fiscal year 2008.

Table 4
 Capital Assets at June 30
 (Net of Depreciation)

	Governmental Activities		Increase/ (Decrease)
	2009	2008	
Land	\$ 444,360	\$ 444,360	\$ -
Construction in Progress	753,100	-	753,100
Land Improvements	1,209,159	1,242,243	(33,084)
Buildings and Improvements	22,067,242	23,059,920	(992,678)
Furniture, Fixtures and Equipment	574,902	608,691	(33,789)
Vehicles	473,406	595,910	(122,504)
Textbooks and Instructional Media	-	45,010	(45,010)
<i>Totals</i>	<u>\$ 25,522,169</u>	<u>\$ 25,996,134</u>	<u>\$ (473,965)</u>

Overall, capital assets decreased \$473,965 from fiscal year 2008 to fiscal year 2009. The addition of capital assets (land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles) of \$868,307 was offset by depreciation expense of \$1,342,272. See Note 9 to the basic financial statements for more detailed information.

Debt Administration

At June 30, 2009, the School District had \$4,146,550 in total outstanding debt consisting of general obligation bonds and capital leases. This figure includes accretion on capital appreciation bonds. At June 30, 2009, the School District's overall legal debt margin was \$13,348,404 and the unvoted debt margin was \$615,346. Table 5 summarizes the debt outstanding at fiscal year-end.

Table 5
 Outstanding Debt, at Fiscal Year-End
 Governmental Activities

	2009	2008
General Obligation Bonds	\$ 3,238,203	\$ 3,399,791
Capital Leases	908,347	128,149
<i>Totals</i>	<u>\$ 4,146,550</u>	<u>\$ 3,527,940</u>

For more information on debt administration, refer to Note 15 of the notes to the basic financial statements.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Current Financial Issues and Concerns

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

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

With the completion of the Ohio School Facilities Commission program in 2003, the School District's classroom facilities are in excellent physical condition and allow the Board of Education and administration to provide a safe and pleasant environment for student to...believe, achieve and succeed. The School District is now focusing on renovations to the athletic facility. In June of 2006, a major improvement to the school outdoor athletic complex took place, as the bleachers were replaced on both the home and visitor sides of the athletic field. With this improvement, the School District was also able to provide access to the handicapped and accommodate larger crowds. In June of 2007, the School District completed the improvements to the outdoor athletic complex. A new concession stand, restroom facility, team room, pavilion and ticket booth were constructed. In cooperation with the Ross County Engineers Department, the School District was also able to improve safety conditions on the campus by constructing an underground tunnel that leads to the entrance of the outdoor athletic complex. In June 2008, the renovations to the high school gymnasium were completed. This included painting, refinishing the floor and the installation of new, handicapped accessible bleachers. In the fall of 2008, a walking path and bridge connecting the elementary playground to the outdoor athletic complex was completed. This allowed the elementary children to access the track and field facilities easily along with providing additional exercise activities for the students and the community to enjoy. An outdoor classroom was constructed in this area to allow teachers to have additional educational options. The School Districted a H.B. 264 Energy Conservation Project in 2008. This project was just recently completed. It will allow the district to manage the heating and cooling systems in the elementary, junior high and high school building more efficiently and effectively.

The School District is in the fourth year of a five year technology replacement plan. This plan includes upgrading and replacing over 750 computers used throughout the School District by 2011. It also includes the installation of smart boards in the classrooms to provide teachers and students with additional interactive learning tools.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

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

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kristen Rhoads, Treasurer, at Union Scioto Local School District, 1565 Egypt Pike, Chillicothe, Ohio 45601 or email at krhoads@mail.gsn.k12.oh.us.

Union Scioto Local School District

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$12,169,077
Cash and Cash Equivalents with Fiscal Agent	913,856
Investments With Fiscal Agents	209,173
Materials and Supplies Inventory	9,934
Accrued Interest Receivable	1,622
Prepaid Items	11,443
Income Taxes Receivable	472,020
Property Taxes Receivable	3,068,595
Deferred Charges	52,110
Capital Assets:	
Land	444,360
Construction in Progress	753,100
Depreciable Capital Assets, Net	<u>24,324,709</u>
<i>Total Assets</i>	<u>42,429,999</u>
<u>Liabilities:</u>	
Accounts Payable	50,899
Contracts Payable	68,450
Accrued Wages and Benefits Payable	1,470,030
Intergovernmental Payable	444,821
Accrued Interest Payable	10,508
Personal Leave Balances Payable	14,450
Matured Compensated Absences Payable	20,702
Deferred Revenue	2,629,414
Claims Payable	136,402
Long-Term Liabilities:	
Due Within One Year	516,742
Due Within More Than One Year	<u>5,786,659</u>
<i>Total Liabilities</i>	<u>11,149,077</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	21,617,897
Restricted for:	
Debt Service	466,189
Capital Projects	463,170
Other Purposes	830,211
Set-Asides	191,156
Unrestricted	<u>7,712,299</u>
<i>Total Net Assets</i>	<u>\$31,280,922</u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	
				Governmental Activities	
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$8,917,107	\$2,055,288	\$155,223	\$10,315	(\$6,696,281)
Special	1,200,173	0	935,283	0	(264,890)
Vocational	8,990	0	0	0	(8,990)
Support Services:					
Pupils	868,544	0	365,106	0	(503,438)
Instructional Staff	686,113	0	9,623	0	(676,490)
Board of Education	1,573,855	16,624	0	0	(1,557,231)
Administration	1,060,342	33,423	6,257	0	(1,020,662)
Fiscal	385,313	0	0	0	(385,313)
Business	74,804	0	0	0	(74,804)
Operation and Maintenance of Plant	1,588,516	18,828	0	0	(1,569,688)
Pupil Transportation	845,418	0	67,953	0	(777,465)
Central	9,000	0	9,000	0	0
Operation of Non-Instructional Services:					
Food Services	803,685	436,794	429,396	0	62,505
Extracurricular Activities	234,019	77,244	2,100	3,000	(151,675)
Interest and Fiscal Charges	212,285	0	0	0	(212,285)
Total Governmental Activities	\$18,468,164	\$2,638,201	\$1,979,941	\$13,315	(13,836,707)
<u>General Revenues:</u>					
					1,102,131
Income Taxes					1,102,131
Property Taxes Levied for:					
General Purposes					3,230,109
Debt Service					282,807
Capital Outlay					57,776
Grants and Entitlements not Restricted to Specific Programs					10,016,883
Unrestricted Contributions and Donations					12,420
Investment Earnings					76,605
Miscellaneous					52,540
Total General Revenues					14,831,271
Change in Net Assets					994,564
Net Assets at Beginning of Year					30,286,358
Net Assets at End of Year					\$31,280,922

See accompanying notes to the basic financial statements

Union Scioto Local School District

Balance Sheet
Governmental Funds
June 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$8,768,575	\$1,786,885	\$10,555,460
Investments With Fiscal Agent	0	209,173	209,173
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	221,783	0	221,783
Receivables:			
Property Taxes	2,776,050	292,545	3,068,595
Income Taxes	472,020	0	472,020
Interfund	10,522	0	10,522
Accrued Interest	1,593	29	1,622
Prepaid Items	11,443	0	11,443
Materials and Supplies Inventory	0	9,934	9,934
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$12,261,986	\$2,298,566	\$14,560,552
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$45,991	\$4,908	\$50,899
Accrued Wages and Benefits Payable	1,291,945	178,085	1,470,030
Contracts Payable	0	68,450	68,450
Intergovernmental Payable	426,427	18,394	444,821
Interfund Payable	0	10,522	10,522
Personal Leave Balances Payable	12,870	1,580	14,450
Matured Compensated Absences Payable	20,702	0	20,702
Deferred Revenue	2,551,451	260,140	2,811,591
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	4,349,386	542,079	4,891,465
	<hr/>	<hr/>	<hr/>
<u>Fund Balances:</u>			
Reserved for Encumbrances	1,555,326	15,160	1,570,486
Reserved for Property Taxes	300,501	32,434	332,935
Reserved for Textbooks and Instructional Materials	191,156	0	191,156
Reserved for Bus Purchases	26,621	0	26,621
Reserved for Unclaimed Monies	4,006	0	4,006
Unreserved, Undesignated, Reported in:			
General Fund	5,834,990	0	5,834,990
Special Revenue Funds	0	831,272	831,272
Debt Service Fund	0	441,101	441,101
Capital Projects Funds	0	436,520	436,520
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	7,912,600	1,756,487	9,669,087
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	\$12,261,986	\$2,298,566	\$14,560,552
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the basic financial statements

Union Scioto Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2009

Total Governmental Fund Balances \$9,669,087

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

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

Land	444,360	
Construction in Progress	753,100	
Other capital assets	37,829,307	
Accumulated depreciation	(13,504,598)	
Total capital assets		25,522,169

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

Delinquent property taxes	106,246	
Income taxes	75,902	
Accrued Interest	29	
		182,177

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

2,169,288

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

52,110

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

Bonds payable	(2,863,396)	
Accretion on bonds	(190,168)	
Accrued interest on bonds	(10,508)	
Premium on refunding	(184,639)	
Capital leases	(908,347)	
Compensated absences	(2,156,851)	
Total liabilities		(6,313,909)

Net Assets of Governmental Activities

\$31,280,922

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, 2009

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$3,200,118	\$337,341	\$3,537,459
Income Taxes	1,095,388	0	1,095,388
Intergovernmental	9,712,076	2,465,351	12,177,427
Investment Earnings	75,653	923	76,576
Tuition and Fees	2,055,288	0	2,055,288
Rent	18,828	0	18,828
Extracurricular Activities	0	110,667	110,667
Contributions and Donations	17,500	26,185	43,685
Customer Sales and Services	16,624	436,794	453,418
Miscellaneous	47,651	4,889	52,540
<i>Total Revenues</i>	<u>16,239,126</u>	<u>3,382,150</u>	<u>19,621,276</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	7,087,735	947,229	8,034,964
Special	742,416	474,209	1,216,625
Vocational	8,831	0	8,831
Support Services:			
Pupils	490,627	393,709	884,336
Instructional Staff	658,199	14,543	672,742
Board of Education	1,574,527	0	1,574,527
Administration	1,046,526	43,951	1,090,477
Fiscal	388,126	6,748	394,874
Business	36,182	0	36,182
Operation and Maintenance of Plant	1,532,374	78,389	1,610,763
Pupil Transportation	724,757	12,014	736,771
Central	0	9,000	9,000
Operation of Non-Instructional Services:			
Food Services	136	834,942	835,078
Extracurricular Activities	119,539	77,195	196,734
Capital Outlay	5,420	807,300	812,720
Debt Service:			
Principal Retirement	122,802	200,000	322,802
Interest and Fiscal Charges	25,134	135,695	160,829
Issuance Costs	0	10,100	10,100
<i>Total Expenditures</i>	<u>14,563,331</u>	<u>4,045,024</u>	<u>18,608,355</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,675,795</u>	<u>(662,874)</u>	<u>1,012,921</u>
<u>Other Financing Sources (Uses):</u>			
Issuance of Notes	0	903,000	903,000
Transfers-In	0	10,259	10,259
Transfers-Out	(10,259)	0	(10,259)
<i>Total Other Financing Sources (Uses)</i>	<u>(10,259)</u>	<u>913,259</u>	<u>903,000</u>
<i>Net Change in Fund Balances</i>	1,665,536	250,385	1,915,921
<i>Fund Balances at Beginning of Year</i>	<u>6,247,064</u>	<u>1,506,102</u>	<u>7,753,166</u>
<i>Fund Balances at End of Year</i>	<u><u>\$7,912,600</u></u>	<u><u>\$1,756,487</u></u>	<u><u>\$9,669,087</u></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, 2009

Net Change in Fund Balances - Total Governmental Funds \$1,915,921

***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	115,207	
Construction in Progress	753,100	
Depreciation expense	<u>(1,342,272)</u>	
Excess of depreciation expense over capital outlay		(473,965)

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

Delinquent property taxes	33,233	
Income taxes	6,743	
Intergovernmental	(198,553)	
Investment earnings	<u>29</u>	
Total (increase)/decrease		(158,548)

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. 608,484

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability. (903,000)

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

Bond principal retirement	200,000	
Capital Leases	<u>122,802</u>	
Total long-term debt repayment		322,802

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

Amortization of Loss on Refunding	(9,523)	
Amortization of Bond Premium	13,268	
Amortization of Bond Issuance Costs	<u>(3,744)</u>	

1

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

Increase in compensated absences payable	(275,774)	
Decrease in accrued interest payable	800	
Accretion on bonds	<u>(42,157)</u>	
Total (increase)/decrease		<u>(317,131)</u>

Change in Net Assets of Governmental Activities \$994,564

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$3,037,731	\$3,133,928	\$3,133,928	\$0
Income Taxes	1,137,131	1,095,546	1,095,546	0
Intergovernmental	9,418,794	9,808,948	9,808,948	0
Investment Earnings	288,402	76,779	76,779	0
Tuition and Fees	1,504,354	2,055,288	2,055,288	0
Rent	40,075	18,828	18,828	0
Contributions and Donations	16,858	17,500	17,500	0
Customer Sales and Service	14,498	16,624	16,624	0
Miscellaneous	17,697	47,651	47,651	0
<i>Total Revenues</i>	<u>15,475,540</u>	<u>16,271,092</u>	<u>16,271,092</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,457,801	6,848,054	6,848,054	0
Special	576,417	647,232	647,232	0
Vocational	8,088	8,522	8,522	0
Support Services:				
Pupils	488,437	475,464	475,464	0
Instructional Staff	887,035	662,334	662,334	0
Board of Education	1,694,340	1,706,839	1,706,839	0
Administration	1,087,425	1,015,568	1,015,568	0
Fiscal	414,036	405,655	405,655	0
Business	83,547	147,216	147,216	0
Operation and Maintenance of Plant	1,967,976	1,927,648	1,927,648	0
Pupil Transportation	1,003,161	760,174	760,174	0
Operation of Non-Instructional Services	202	131	131	0
Extracurricular Activities	110,519	115,589	115,589	0
Capital Outlay	233,388	1,090,520	1,090,520	0
<i>Total Expenditures</i>	<u>15,012,372</u>	<u>15,810,946</u>	<u>15,810,946</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>463,168</u>	<u>460,146</u>	<u>460,146</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>				
Transfers-Out	(411,407)	(285,259)	(285,259)	0
Advances-In	221,618	204,473	204,473	0
Advances-Out	(204,474)	(10,522)	(10,522)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(394,263)</u>	<u>(91,308)</u>	<u>(91,308)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	68,905	368,838	368,838	0
<i>Fund Balance at Beginning of Year</i>	6,501,021	6,501,021	6,501,021	0
<i>Prior Year Encumbrances Appropriated</i>	<u>633,319</u>	<u>633,319</u>	<u>633,319</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$7,203,245</u>	<u>\$7,503,178</u>	<u>\$7,503,178</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2009

	<u>Self-Insurance</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,391,834
Cash and Cash Equivalents with Fiscal Agent	913,856
<i>Total Assets</i>	2,305,690
<u>Liabilities:</u>	
Claims Payable	136,402
<u>Net Assets:</u>	
Unrestricted	\$2,169,288

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2009

	Self-Insurance
<u>Operating Revenues:</u>	
Charges for Services	\$2,733,660
<u>Operating Expenses:</u>	
Purchased Services	80,184
Claims	2,044,992
<i>Total Operating Expenses</i>	2,125,176
<i>Change in Net Assets</i>	608,484
<i>Net Assets at Beginning of Year</i>	1,560,804
<i>Net Assets at End of Year</i>	\$2,169,288

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, 2009

	<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	\$2,733,660
Cash Payments to Suppliers for Goods and Services	(80,184)
Cash Payments for Claims	<u>(2,179,586)</u>
<i>Net Cash Provided by Operating Activities</i>	473,890
<u>Cash Flows from Noncapital Financing Activities:</u>	
Repayment of Loans from Other Governments	<u>5,085</u>
<i>Increase in Cash and Cash Equivalents</i>	478,975
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>1,826,715</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$2,305,690</u></u>
<i>Reconciliation of Operating Income to Net Cash</i>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$608,484
<i>Adjustments to Reconcile Operating Income to</i>	
<u>Net Cash Provided by Operating Activities:</u>	
Decrease in Claims Payable	<u>(134,594)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$473,890</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, 2009

	<u>Student Managed Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$43,727</u></u>
<u>Liabilities:</u>	
Undistributed Monies	<u><u>\$43,727</u></u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Union Scioto Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1935 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 80 square miles. It is located in Ross County, and includes all of Union and Scioto Townships. It is staffed by 88 non-certificated employees, 125 certificated teaching personnel, and 16 administrative employees who provide services to 2,065 students and other community members. The School District currently operates two instructional buildings, one administrative building, one maintenance building, and a bus garage.

Reporting Entity

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

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

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Proprietary Fund

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

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

Fiduciary Fund

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

D. 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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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, 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 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. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. During fiscal year 2009, the School District utilized U. S. Bank National Association to hold the capital lease proceeds to be used for the HB 264 Energy Efficiency Program for heating and cooling improvements to various school buildings. These monies are presented as "Investments With Fiscal Agent" within the Other Governmental Funds on the financial statements.

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. The balance of the School District's funds held by the claims administrator and the fiscal agent at June 30, 2009, is presented as "Cash and Cash Equivalents with Fiscal Agent".

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2009, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$75,653, which includes \$18,809 assigned from other School District funds.

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

G. Restricted Assets

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

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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.

J. Capital Assets

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

K. Interfund Balances

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

L. Compensated Absences

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

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

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent 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 are paid. The unmatured portion of the liability is not reported.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

N. 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 funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

O. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, textbooks and instructional materials, bus purchases and unclaimed monies.

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Net Assets

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

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

Q. Internal Activity

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

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

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

R. Estimates

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 3 – ACCOUNTABILITY

At June 30, 2009, the Early Childhood Education, Title VI-B, Title I and Title II-A Special Revenue Funds had deficit fund balances of \$19,879, \$175, \$7 and \$9,160, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP Basis	\$1,665,536
Adjustments:	
Revenue Accruals	31,966
Expenditure Accruals	336,437
Transfers	(275,000)
Advances	193,951
Encumbrances	<u>(1,584,052)</u>
Budget Basis	<u>\$368,838</u>

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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, 2009, the School District had “Cash and Cash Equivalents with Fiscal Agent” on the Statement of Net Assets of \$913,856. This is money paid to a claims servicing pool that pays employee health insurance claims on the School District’s behalf. The money is held by Ross-Pike Educational Service District, which is the fiscal agent for several school districts. Since the monies are commingled, no disclosures regarding risk can be disclosed under GASB Statement No. 40. The classification for the Ross-Pike Educational Service District as a whole can be obtained by writing to Erin Kirby, who serves as Treasurer, at 475 Western Avenue, Suite E, Chillicothe, Ohio 45601.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District does not have a deposit policy for custodial credit risk. At fiscal year-end, \$11,828,254 of the School District’s bank balance of \$12,328,254 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

Investments

As of June 30, 2009, the School District had the following investment:

	<u>Fair Value</u>	<u>Average Maturity</u>
STAROhio	<u>\$2,407</u>	<u>58.1 days</u>

Interest Rate Risk

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

Credit Risk

As of June 30, 2009, the School District’s only investment was in STAROhio. STAROhio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District’s investment policy limits investments to those authorized by State statute.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date.

Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received during calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October, 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Ross 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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 6 – PROPERTY TAXES (continued)

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

The amount available as an advance at June 30, 2009 was \$300,501 in the General Fund and \$32,434 in the Other Governmental Funds. The amount available as an advance at June 30, 2008, was \$234,311 in the General Fund and \$25,306 in the Other Governmental Funds.

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second - Half Collections		2009 First - Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$165,308,770	95.58%	\$169,727,120	96.05%
Public Utility Personal	5,252,450	3.04%	5,585,130	3.16%
General Business Personal	2,387,030	1.38%	1,390,310	0.79%
Total Assessed Value	\$172,948,250	100.00%	\$176,702,560	100.00%
Tax rate per \$1,000 of assessed valuation	\$34.60		\$34.10	

NOTE 7 – INCOME TAX

The School District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, and continued for five years. On March 2, 2004, and on May 5, 2009, the voters of the School District approved the renewal of the income tax levy. For the latest renewal, collections will begin January, 2010 and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 – RECEIVABLES

Receivables at June 30, 2009, consisted of property and income taxes, interfund and accrued interest. All receivables, except for property taxes, are considered fully collectible within one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Internal Service receivables are considered to be fully collectible, although the total amount may not be received within one year.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/2008	Additions	Deletions	Balance at 6/30/2009
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$444,360	\$0	\$0	\$444,360
Construction in Progress	0	753,100	0	753,100
Total Capital Assets Not Being Depreciated	444,360	753,100	0	1,197,460
Capital Assets Being Depreciated:				
Land Improvements	1,710,164	48,722	0	1,758,886
Buildings and Improvements	32,424,331	0	0	32,424,331
Furniture, Fixtures and Equipment	1,142,924	66,485	0	1,209,409
Vehicles	2,030,339	0	133,787	1,896,552
Textbooks and Educational Media	540,129	0	0	540,129
Total Capital Assets Being Depreciated	37,847,887	115,207	133,787	37,829,307
Less Accumulated Depreciation:				
Land Improvements	(467,921)	(81,806)	0	(549,727)
Buildings and Improvements	(9,364,412)	(992,677)	0	(10,357,089)
Furniture, Fixtures and Equipment	(534,233)	(100,274)	0	(634,507)
Vehicles	(1,434,429)	(122,504)	(133,787)	(1,423,146)
Textbooks and Educational Media	(495,118)	(45,011)	0	(540,129)
Total Accumulated Depreciation	(12,296,113)	(1,342,272) *	(133,787)	(13,504,598)
Total Capital Assets Being Depreciated, Net	25,551,774	(1,227,065)	0	24,324,709
Governmental Activities Capital Assets, Net	\$25,996,134	(\$473,965)	\$0	\$25,522,169

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 9 – CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,071,933
Vocational	844
Support Services:	
Pupils	323
Instructional Staff	29,272
Board of Education	267
Administration	4,598
Business	38,622
Operation and Maintenance of Plant	3,153
Pupil Transportation	127,487
Operation of Non-Instructional Services:	
Food Services	19,746
Extracurricular Activities	46,027
Total Depreciation Expense	\$1,342,272

NOTE 10 – RISK MANAGEMENT

A. 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 2009, the School District contracted with Ohio Casualty for building and contents and fleet insurance. Insurance coverage provided includes the following:

Building and Contents replacement cost (\$2,500 deductible)	\$51,650,692
Inland Marine Coverage (\$500 deductible)	156,283
Automobile Liability (\$500 deductible)	1,000,000
Uninsured Motorists (\$500 deductible)	1,000,000

During fiscal year 2009, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to Hylant Administrative Services, LLC (See Note 18).

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 10 – RISK MANAGEMENT (continued)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

Educational General Liability Coverage Form:

Bodily Injury and Property Damage Limit - Each Occurrence and Sexual Abuse Injury Limit - Each Sexual Abuse Offense	\$3,000,000
Personal and Advertising Injury Limit - Each Offense	3,000,000
Fire Damage Limit	500,000
Medical Expense - Any One Person Limit	10,000
Medical Expense - Each Accident Limit	10,000
General Aggregate Limit	5,000,000
Products - Completed Operations Aggregate Limit	3,000,000

Employee Benefits Liability Coverage Endorsement - Claims Made:

Each Offense Limit	3,000,000
Aggregate Limit	5,000,000

Employer's Liability - Stop Gap Coverage Endorsement:

Bodily Injury by Accident - Each Accident	3,000,000
Bodily Injury by Disease	3,000,000
Bodily Injury by Disease - Each Employee	3,000,000

Educational Legal Liability Coverage - Claims Made (\$2,500 deductible):

Errors and Omissions Injury Limit	3,000,000
Errors and Omissions Injury Aggregate Limit	5,000,000
Employment Practices Injury Limit	3,000,000
Employment Practices Injury Aggregate Limit	5,000,000

Excess Liability Coverage:

<u>Educational General Liability</u>	
Bodily Injury and Property Damage Limit - Each Occurrence	2,000,000
Personal and Advertising Injury Limit - Each Offense	2,000,000
General Aggregate Limit	2,000,000
Products - Complete Operations Aggregate Limit	2,000,000
<u>Employee Benefits Liability - Claims Made</u>	
Employee Benefits Injury - Each Offense Limit	2,000,000
Employee Benefits Injury - Aggregate Limit	2,000,000
<u>Educational Legal Liability - Claims Made</u>	
Errors and Omissions Injury Limit	2,000,000
Errors and Omissions Injury Aggregate Limit	2,000,000
Employment Practices Injury Limit	2,000,000
Employment Practices Injury Agregate Limits	2,000,000

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 10 – RISK MANAGEMENT (continued)

B. Workers’ Compensation

For fiscal year 2009, the School District participated in the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical, Dental and Vision Benefits

Medical/surgical, dental and vision insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of 13 school districts and one educational service center within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent, who in turn pays the claims on the School District’s behalf. The claims liability of \$136,402 reported in the Internal Service Fund at June 30, 2009, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30 “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,”* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2008	\$192,542	\$2,298,234	\$2,219,780	\$270,996
2009	270,996	2,044,992	2,179,586	136,402

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$164,822, \$165,709, and \$169,347, respectively; 45.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

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

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$909,196, \$844,016, and \$784,933, respectively; 84.02 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$5,122 made by the School District and \$4,878 made by the plan members.

C. Social Security System

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

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$93,653, \$102,360, and \$90,373, respectively; 45.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$13,599, \$11,940, and \$11,516, respectively; 45.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$69,938, \$64,924, and \$60,379, respectively; 84.02 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 13 – EMPLOYEE BENEFITS

A. 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 20 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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 13 – EMPLOYEE BENEFITS (continued)

All certificated and classified employees who work 12 months and all administrators earn sick leave at the rate of one and one-half days per month, while all other employees earn one and one-fourth days per month. An unlimited amount of sick leave may be accumulated for all personnel. Upon retirement, payment is made for one-half of accrued, but unused sick leave credit to a maximum payment of 180 days for all classified employees, 184 days for all teachers, and the entire balance for the Treasurer and Superintendent.

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

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Hartford Insurance Co.

C. 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 14 – LEASES – LESSEE DISCLOSURE

During prior fiscal years, the School District entered into capitalized leases for copiers and in fiscal year 2009, the School District entered into a lease-purchase agreement for heating and cooling improvements to the elementary, junior and senior high school buildings. The terms of the agreement transfers ownership of the improvements to the School District at the expiration of the lease term. All leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The School District is leasing the improvements from the Columbus Regional Airport Authority. Columbus Regional Airport Authority has deposited \$903,000 with U. S. Bank National Association, who will serve as the fiscal agent for the monies. The School District will utilize the monies held by U. S. Bank National Association for the improvements as the project progresses. In turn, the School District will make semi-annual lease payments to U. S. Bank National Association. Interest rates are based on a calculation of the TBMA index. The lease is renewable annually and expires in fiscal year 2014. The intention of the School District is to renew the lease annually and make payments using the revenues generated from energy savings as a result of the improvements. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 14 – LEASES – LESSEE DISCLOSURE (continued)

Capital assets acquired by lease were initially capitalized in the amount of \$1,094,898 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2009 totaled \$122,802 and were paid from the General Fund.

The assets acquired through capital leases as of June 30, 2009, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
<u>Asset:</u>			
Heating and Cooling Improvement	\$903,000	\$0	\$903,000
Copiers	191,898	(111,940)	79,958
Totals	\$1,094,898	(\$111,940)	\$982,958

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, 2009:

Fiscal Year Ending June 30,	Total Payments
2010	\$244,395
2011	245,861
2012	200,433
2013	195,576
2014	97,531
Total	983,796
Less: Amount Representing Interest	(75,449)
Present Value of Net Minimum Lease Payments	\$908,347

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2009 were as follows:

	Amounts Outstanding 6/30/08	Additions	Deductions	Amounts Outstanding 6/30/09	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2000 School Improvement					
Bonds - 4.4% to 5.5%					
Serial Bonds	\$550,000	\$0	\$175,000	\$375,000	\$185,000
Capital Appreciation Bonds	80,928	0	0	80,928	0
Accretion on Cap. Apprec. Bonds	134,460	31,894	0	166,354	0
2006 School Improvement					
Refunding Bonds - 3.65% to 4.75%					
Serial Bonds	2,550,000	0	25,000	2,525,000	25,000
Capital Appreciation Bonds	14,999	0	0	14,999	0
Accretion on Cap. Apprec. Bonds	13,551	10,263	0	23,814	0
Premium on Refunding	197,907	0	13,268	184,639	0
Unamortized Loss	(142,054)	0	(9,523)	(132,531)	0
Capital Leases	128,149	903,000	122,802	908,347	213,295
Compensated Absences	1,881,077	351,260	75,486	2,156,851	93,447
Total Governmental Activities					
Long-Term Obligations	<u>\$5,409,017</u>	<u>\$1,296,417</u>	<u>\$402,033</u>	<u>\$6,303,401</u>	<u>\$516,742</u>

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

The capital appreciation bonds will mature in fiscal years 2012 and 2013. The maturity amount of the bonds is \$400,000. For fiscal year 2009, \$31,894 was accreted on the capital appreciation bonds for a total outstanding bond value for the entire issue of \$622,282 at fiscal year-end.

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

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

The capital appreciation bond is not subject to prior redemption. The bond will mature December 1, 2015. The maturity amount of the capital appreciation bond will be \$245,000. For fiscal year 2009, \$10,263 was accreted on the capital appreciation bond.

The refunding resulted in a difference of \$161,100 between the net carrying amount of the debt and the acquisition price. The difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The refunded bonds of \$2,600,000 outstanding at June 30, 2009 will be paid in full on December 1, 2010.

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$210,000	\$126,098	\$0	\$0	\$210,000	\$126,098
2011	215,000	116,052	0	0	215,000	116,052
2012	25,000	110,444	43,264	156,736	68,264	267,180
2013	25,000	109,444	37,664	162,336	62,664	271,780
2014	220,000	103,719	0	0	220,000	103,719
2015-2019	1,010,000	304,921	14,999	230,001	1,024,999	534,922
2020-2023	1,195,000	109,963	0	0	1,195,000	109,963
Totals	<u>\$2,900,000</u>	<u>\$980,641</u>	<u>\$95,927</u>	<u>\$549,073</u>	<u>\$2,995,927</u>	<u>\$1,529,714</u>

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

The School District's overall legal debt margin was \$13,348,404 with an unvoted debt margin of \$615,346 at June 30, 2009.

NOTE 16 – INTERFUND ACTIVITY

As of June 30, 2009, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Receivable
	General Fund
	<hr/>
Payable	
Other Governmental Funds	<u>\$10,522</u>

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 16 – INTERFUND ACTIVITY (continued)

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

Transfers made during the fiscal year ended June 30, 2009 were as follows:

	Transfers From
	<div style="border-bottom: 1px solid black; padding: 5px 0;">General Fund</div>
<div style="background-color: #e0ffe0; padding: 5px; writing-mode: vertical-rl; transform: rotate(180deg);">Transfers To</div>	<div style="border-bottom: 3px double black; padding: 5px 0;">\$10,259</div>
Other Governmental Funds	

Transfers from the General Fund represent subsidy monies for operations of the various funds receiving these monies.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

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

The School District paid SCOCA \$228,183 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Pickaway-Ross County Career and Technology Center

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

C. Great Seal Education Network of Tomorrow

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

D. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the “Coalition”) is a jointly governed organization of over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of 14 members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for School District administrative personnel; gathers data regarding education conditions in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for School District personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District paid \$300 to the Coalition for services provided during the fiscal year. To obtain financial information, write to the Ohio University, who acts as fiscal agent, at McCracken Hall, Room 119E, Athens, Ohio 45701.

NOTE 18 – INSURANCE PURCHASING POOLS

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

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

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

B. Ohio School Plan

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

NOTE 19 – CLAIMS SERVICING POOL

Ross County School Employees Insurance Consortium

The School District is a member of the Ross County School Employees Insurance Consortium (the “Consortium”), a claims servicing pool consisting of 11 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. Dental and vision insurance is administered through a third party administrator, Professional Risk Management Co. 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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 20 – SET-ASIDE CALCULATIONS

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

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

	Textbooks and Instructional Materials	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2008	\$147,940	\$0
Current Fiscal Year Set-aside Requirement	342,152	342,152
Qualifying Disbursements	(298,936)	(684,650)
Set-aside Reserve Balance as of June 30, 2009	\$191,156	(\$342,498)
Required Set-aside Balances Carried Forward to FY 2009	\$191,156	\$0

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

NOTE 21 - CONTRACTUAL COMMITMENT

The School District contracted for heating and cooling improvements at the elementary, junior and senior high schools. The outstanding construction commitment at June 30, 2009 is:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/2009
LIMBACH Company	\$890,000	\$684,650	\$205,350

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 22 – CONTINGENCIES

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

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

This Page Intentionally Left Blank

Union Scioto Local School District
 Ross County
 Schedule of Federal Awards Receipts and Expenditures
 For the Fiscal Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	O5PU	10.553	\$ 95,172	\$ -	\$ 95,172	\$ -
National School Lunch Program	LLP4	10.555	325,730	38,782	325,730	38,782
Total Nutrition Cluster			420,902	38,782	420,902	38,782
Total United States Department of Agriculture			420,902	38,782	420,902	38,782
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title 1 Grants to Local Educational Agencies	C1S1	84.010	532,736	-	527,710	-
Special Education - Grants to States	6BSF	84.027	384,203	-	384,585	-
Safe and Drug-Free Schools and Communities - State Grants	DRS1	84.186	7,683	-	7,683	-
State Grants for Innovative Programs	C2S1	84.298	3,651	-	5,021	-
Education Technology State Grants	TJS1	84.318	7,710	-	3,904	-
Improving Teacher Quality State Grants	TRS1	84.367	95,407	-	92,304	-
Total United States Department of Education			1,031,390	-	1,021,207	-
Total Federal Financial Assistance			\$ 1,452,292	\$ 38,782	\$ 1,442,109	\$ 38,782

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

Union Scioto Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2009

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

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

NOTE C – FOOD DONATION

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



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Scioto Local School District (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable basis of accounting such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

Members of the Board

Union Scioto Local School District

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

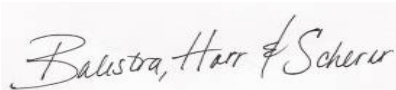
Page 2

Compliance and Other Matters

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

We noted certain non-compliance and other matter reported to the School District in a separate report dated December 22, 2009.

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



Balestra, Harr & Scherer, CPAs, Inc.

December 22, 2009



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

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

Compliance

We have audited the compliance of Union Scioto Local School District, Ross County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Members of the Board

Union Scioto Local School District

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

Page 2

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal programs compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential non-compliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not be prevent or detect material non-compliance with a federal program's compliance requirements.

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

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



Balestra, Harr & Scherer, CPAs, Inc.
December 22, 2009

Union Scioto Local School District
Schedule of Findings
OMB Circular A-133 Section .505
June 30, 2009

Summary of Auditor's Results

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant control deficiencies conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under Section .510?	No
<i>(d)(1)(vii)</i>	Major Program(s) (list):	Title I Grants to Local Education Agencies: CFDA #84.010 and Nutrition Cluster, CFDA # and 10.553 and 10.555.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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.

**UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	Significant Deficiency/Material Weakness due to material adjustments.	Yes	



Independent Auditor's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

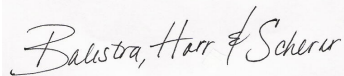
Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Union Scioto Local School District (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 10, 2007.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

December 22, 2009



Mary Taylor, CPA
Auditor of State

UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 16, 2010