



***UNION SCIOTO
LOCAL SCHOOL DISTRICT***

ROSS COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2007

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Union Scioto Local School District, Ross County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 6, 2008

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Independent Auditor's Report

Board of Education
Union Scioto Local School District
1565 Egypt Pike Road
Chillicothe, Ohio 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 (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 opinion.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2007, and the respective changes in financial position and the cash flows, where applicable, and the respective 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 a report dated December 11, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Board of Education
Union Scioto Local School District
Independent Auditor's Report

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 11, 2007

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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 fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

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 2007 are as follows:

- In total, net assets increased \$922,398, which represents a 3.2 percent increase from fiscal year 2006.
- Total assets of governmental activities increased by \$665,158. Of this, capital assets decreased by \$770,444 due to depreciation of \$1,361,844, offset by additions of capital assets of \$591,400.
- General revenues accounted for \$14,119,679, or 79.5 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 \$3,636,043 or 20.5 percent of total revenues of \$17,755,722.
- The School District had \$16,833,324 in expenses related to governmental activities; only \$3,636,043 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 \$14,119,679 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.

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the 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 2007?" 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 that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility condition, required educational programs and other factors.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Governmental Funds

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

Proprietary Fund

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

Fiduciary Fund

The School District's fiduciary fund is an agency fund. The School District's fiduciary fund is reported in a separate Statement of Fiduciary 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 2007 compared to 2006:

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 1
Net Assets

	<u>Governmental Activities</u>		Increase
	<u>2007</u>	<u>2006</u>	(Decrease)
<u>Assets:</u>			
Current Assets	\$12,537,547	\$11,101,945	\$1,435,602
Capital Assets	27,026,613	27,797,057	(770,444)
<i>Total Assets</i>	<u>39,564,160</u>	<u>38,899,002</u>	<u>665,158</u>
<u>Liabilities:</u>			
Long-Term Liabilities	5,484,236	5,446,809	37,427
Other Liabilities	4,634,600	4,929,267	(294,667)
<i>Total Liabilities</i>	<u>10,118,836</u>	<u>10,376,076</u>	<u>(257,240)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	23,472,932	24,460,572	(987,640)
Restricted	1,714,488	1,365,907	348,581
Unrestricted	4,257,904	2,696,447	1,561,457
<i>Total Net Assets</i>	<u>\$29,445,324</u>	<u>\$28,522,926</u>	<u>\$922,398</u>

Total assets of governmental activities increased by \$665,158 and capital assets decreased by \$770,444. 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 by \$1,561,457. 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, of the School District increased by \$348,581. This increase was due to the new CORE grant, a math and science intervention grant.

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the changes 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 taxes and unrestricted grants, such as State foundation support.

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

Union Scioto Local School District
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Table 2
Changes in Net Assets

	Governmental Activities		Increase
	2007	2006	(Decrease)
<u>Revenues:</u>			
Program Revenues:			
Charges for Services and Sales	\$1,728,134	\$1,654,605	\$73,529
Operating Grants, Contributions and Interest	1,869,909	1,830,327	39,582
Capital Grants and Contributions	38,000	18,432	19,568
Total Program Revenues	<u>3,636,043</u>	<u>3,503,364</u>	132,679
General Revenues:			
Income Taxes	1,095,460	954,749	140,711
Property Taxes	3,149,711	3,046,573	103,138
Grants and Entitlements not Restricted to Specific Programs	9,529,889	9,354,859	175,030
Investment Earnings	315,080	190,509	124,571
Miscellaneous	29,539	51,744	(22,205)
Total General Revenues	<u>14,119,679</u>	<u>13,598,434</u>	521,245
<i>Total Revenues</i>	<u>17,755,722</u>	<u>17,101,798</u>	653,924
<u>Program Expenses:</u>			
Instruction			
Regular	8,084,917	7,701,828	383,089
Special	994,399	905,431	88,968
Vocational	6,252	10,467	(4,215)
Support Services			
Pupils	786,032	740,108	45,924
Instructional Staff	781,365	631,692	149,673
Board of Education	1,276,498	1,102,007	174,491
Administration	1,037,409	981,667	55,742
Fiscal	362,828	340,114	22,714
Business	72,478	0	72,478
Operation and Maintenance of Plant	1,482,843	1,426,393	56,450
Pupil Transportation	800,411	709,288	91,123
Central	9,426	8,574	852
Operation of Non-Instructional Services:			
Food Services	736,367	718,982	17,385
Extracurricular Activities	205,324	339,426	(134,102)
Interest and Fiscal Charges	196,775	206,994	(10,219)
<i>Total Expenses</i>	<u>16,833,324</u>	<u>15,822,971</u>	1,010,353
<i>Increase (Decrease) in Net Assets</i>	922,398	1,278,827	(356,429)
<i>Net Assets at Beginning of Year</i>	28,522,926	27,244,099	1,278,827
<i>Net Assets at End of Year</i>	<u>\$29,445,324</u>	<u>\$28,522,926</u>	\$922,398

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Governmental Activities

General revenues accounted for \$14,119,679, or 79.5 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 \$3,636,043 or 20.5 percent of total revenues of \$17,755,722.

Grants and entitlements not restricted to specific programs made up 53.7 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 17.7 percent of revenues for governmental activities for the School District for fiscal year 2007.

Instruction comprises 54.0 percent of School District expenses. Support Services make up 39.3 percent of the total expenses. In fiscal year 2007, Instruction costs increased by \$467,842 and Support Services costs increased by \$669,447, respectively, from the prior fiscal year. The increase was due, in part, to an increase in salaries and benefits, utility and fuel costs, a workers' compensation rate and payment increase, higher membership fees, and the purchase of new technology and instructional materials.

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.

Table 3
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	\$9,085,568	\$6,863,025	\$8,617,726	\$6,422,447
Support Services	6,609,290	6,067,258	5,939,843	5,354,786
Operation of Non-				
Instructional Services	736,367	(16,853)	718,982	76,543
Extracurricular Activities	205,324	87,076	339,426	258,837
Interest and Fiscal Charges	196,775	196,775	206,994	206,994
<i>Total Expenses</i>	<u>\$16,833,324</u>	<u>\$13,197,281</u>	<u>\$15,822,971</u>	<u>\$12,319,607</u>

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

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Support Services, for which the total cost of services increased by \$669,447 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 dependence upon tax revenues is apparent. Instruction activities are supported through taxes and other general revenues by 75.5 percent; for all activities general revenue support is 78.4 percent.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$17,682,491 and expenditures of \$16,538,142. The net change in fund balance for the fiscal year in the General Fund was \$905,163. The increase is due to the School District being able to keep revenues exceeding expenditures.

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

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.

At the end of fiscal year 2007, 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 decreasing \$2,863,808 over the original appropriations, a 17.2 percent decrease.

For the General Fund, the final budget basis revenues differed from the original budgeted estimates of \$14,846,539 by \$195,426 to \$14,651,113. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue of \$14,651,113.

For fiscal year 2007, the School District filed an amended certificate of estimated resources which had estimated revenues equaling actual revenues. In the General Fund, the School District originally budgeted Intergovernmental Revenue at \$9,751,707, and received \$9,222,477. Final estimated Intergovernmental Revenues was less than the original budget for the fiscal year by \$529,230. The majority of the difference was due to a decrease in funding relating to the decrease in the February ADM count.

Capital Assets

At the end of fiscal year 2007, the School District had \$27,026,613 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 2007 balances compared to fiscal year 2006.

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

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

	<u>Governmental Activities</u>		Increase/ (Decrease)
	<u>2007</u>	<u>2006</u>	
Land	\$444,360	\$444,360	\$0
Construction in Progress	191,631	0	191,631
Land Improvements	1,288,155	1,326,778	(38,623)
Buildings and Improvements	23,766,146	24,753,151	(987,005)
Furniture, Fixtures and Equipment	644,606	530,293	114,313
Vehicles	556,684	517,422	39,262
Textbooks and Instructional Media	135,031	225,053	(90,022)
<i>Totals</i>	<u>\$27,026,613</u>	<u>\$27,797,057</u>	<u>(\$770,444)</u>

Overall, capital assets decreased \$770,444 from fiscal year 2006 to fiscal year 2007. The addition of capital assets (construction in progress, land improvements, furniture, fixtures, and equipment, and vehicles) of \$591,400 was offset by depreciation expense of \$1,361,844 for the fiscal year. See Note 9 to the basic financial statements for more detailed information.

Debt Administration

At June 30, 2007, the School District had \$3,725,961 in total outstanding debt consisting of general obligation bonds and capital leases. This figure includes accretion on capital appreciation bonds. At June 30, 2007, the School District's overall legal debt margin was \$9,742,687 and the unvoted debt margin was \$145,929. Table 5 summarizes the debt outstanding at fiscal year-end.

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

	<u>2007</u>	<u>2006</u>
General Obligation Bonds	\$3,563,207	\$3,707,202
Capital Leases	162,754	0
<i>Totals</i>	<u>\$3,725,961</u>	<u>\$3,707,202</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
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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 added a Preschool program in an effort to provide additional services to the families in the School District.

The School District adopted an open enrollment policy for fiscal year 2004, accepting students from other districts. This resulted in decreasing the loss from Union Scioto students going to other school districts.

With the completion of the Ohio School Facilities Commission project in 2003, the School District's classroom facilities are in excellent physical condition and allow the Board of Education and administration to provide a safe and pleasant environment for students to...believe, achieve and succeed. The School District is now focusing on renovations to the athletic facility. In June of 2006, a major improvement to the school outdoor athletic complex took place, as the bleachers were replaced on both the home and visitor sides of the athletic field. With this improvement the School District was also able to provide access to the handicapped and accommodate larger crowds. In June 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. The School District is currently in the process of replacing the bleachers in the high school gymnasium and hopes to have this completed by June of 2008.

On March 2, 2004, the voters of the School District approved the renewal of a one-half percent tax on the income of residents and of estates within the School District. This levy began January, 2005 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.

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The School District refinanced \$2.6 million of outstanding debt owed on its \$4.2 million loan agreement. The original loan was entered into in 2000 for the classroom facilities construction and improvements. The refinancing has saved the School District's taxpayers \$156,346. The School District's new average tax rate is 4.24 percent, with the interest rate on the prior bond being approximately 5.50 percent.

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 questions about this report or need additional financial information, contact Kristin Rhoads, Treasurer, at Union Scioto Local School District, 1565 Egypt Pike, Chillicothe, Ohio 45601 or e-mail at krhoads@mail.gsn.k12.oh.us.

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Union Scioto Local School District

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$7,924,877
Cash and Cash Equivalents With Fiscal Agent	908,891
Materials and Supplies Inventory	7,568
Accrued Interest Receivable	3,012
Intergovernmental Receivable	231,832
Prepaid Items	11,520
Income Taxes Receivable	535,610
Property Taxes Receivable	2,854,639
Deferred Charges	59,598
Capital Assets:	
Land and Construction in Progress	635,991
Depreciable Capital Assets, Net	<u>26,390,622</u>
<i>Total Assets</i>	<u>39,564,160</u>
<u>Liabilities:</u>	
Accounts Payable	59,616
Contracts Payable	42,317
Accrued Wages and Benefits Payable	1,239,985
Intergovernmental Payable	397,934
Accrued Interest Payable	12,068
Personal Leave Balance Payable	12,766
Matured Compensated Absences Payable	111,050
Retainage Payable	15,579
Deferred Revenue	2,550,743
Claims Payable	192,542
Long-Term Liabilities:	
Due Within One Year	340,520
Due Within More Than One Year	<u>5,143,716</u>
<i>Total Liabilities</i>	<u>10,118,836</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	23,472,932
Restricted for:	
Debt Service	495,989
Capital Projects	466,983
Poverty Aid	290,206
Other Purposes	287,014
Set-Asides	174,296
Unrestricted	<u>4,257,904</u>
<i>Total Net Assets</i>	<u><u>\$29,445,324</u></u>

See accountant's compilation report

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	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	\$8,084,917	\$1,231,533	\$101,520	\$0	(\$6,751,864)
Special	994,399	0	889,490	0	(104,909)
Vocational	6,252	0	0	0	(6,252)
Support Services:					
Pupils	786,032	0	434,178	0	(351,854)
Instructional Staff	781,365	0	4,838	0	(776,527)
Board of Education	1,276,498	18,233	0	0	(1,258,265)
Administration	1,037,409	39,047	11,101	0	(987,261)
Fiscal	362,828	0	0	0	(362,828)
Business	72,478	0	0	0	(72,478)
Operation and Maintenance of Plant	1,482,843	25,635	0	0	(1,457,208)
Pupil Transportation	800,411	0	0	0	(800,411)
Central	9,426	0	9,000	0	(426)
Operation of Non-Instructional Services:					
Food Services	736,367	346,138	407,082	0	16,853
Extracurricular Activities	205,324	67,548	12,700	38,000	(87,076)
Interest and Fiscal Charges	196,775	0	0	0	(196,775)
Total Governmental Activities	\$16,833,324	\$1,728,134	\$1,869,909	\$38,000	(13,197,281)
<u>General Revenues:</u>					
					1,095,460
Income Taxes					
Property Taxes Levied for:					
					2,786,367
General Purposes					
					308,477
Debt Service					
					54,867
Capital Outlay					
Grants and Entitlements not Restricted					
					9,529,889
to Specific Programs					
					315,080
Investment Earnings					
					29,539
Miscellaneous					
Total General Revenues					14,119,679
Change in Net Assets					922,398
Net Assets at Beginning of Year					28,522,926
Net Assets at End of Year					\$29,445,324

See accountant's compilation report
See accompanying notes to the basic financial statements

Union Scioto Local School District

Balance Sheet
Governmental Funds
June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$5,078,013	\$1,836,747	\$6,914,760
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	191,725	0	191,725
Receivables:			
Property Taxes	2,525,280	329,359	2,854,639
Income Taxes	535,610	0	535,610
Intergovernmental	0	209,563	209,563
Interfund	221,618	0	221,618
Accrued Interest	3,012	0	3,012
Prepaid Items	11,520	0	11,520
Materials and Supplies Inventory	0	7,568	7,568
	<u> </u>	<u> </u>	<u> </u>
<i>Total Assets</i>	<u><u>\$8,566,778</u></u>	<u><u>\$2,383,237</u></u>	<u><u>\$10,950,015</u></u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$54,914	\$4,702	\$59,616
Accrued Wages and Benefits Payable	1,042,582	197,403	1,239,985
Contracts Payable	0	42,317	42,317
Retainage Payable	0	15,579	15,579
Intergovernmental Payable	359,031	38,903	397,934
Interfund Payable	0	221,618	221,618
Personal Leave Balances Payable	11,862	904	12,766
Matured Compensated Absences Payable	111,050	0	111,050
Deferred Revenue	2,401,871	347,988	2,749,859
	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities</i>	<u>3,981,310</u>	<u>869,414</u>	<u>4,850,724</u>
<u>Fund Balances:</u>			
Reserved for Encumbrances	470,242	260,778	731,020
Reserved for Property Taxes	194,035	26,204	220,239
Reserved for Textbooks and Instructional Materials	174,296	0	174,296
Reserved for Bus Purchases	13,423	0	13,423
Reserved for Unclaimed Monies	4,006	0	4,006
Unreserved, Undesignated, Reported in:			
General Fund	3,729,466	0	3,729,466
Special Revenue Funds	0	512,738	512,738
Debt Service Fund	0	477,447	477,447
Capital Projects Funds	0	236,656	236,656
	<u> </u>	<u> </u>	<u> </u>
<i>Total Fund Balances</i>	<u>4,585,468</u>	<u>1,513,823</u>	<u>6,099,291</u>
	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$8,566,778</u></u>	<u><u>\$2,383,237</u></u>	<u><u>\$10,950,015</u></u>

See accountant's compilation report
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, 2007

Total Governmental Fund Balances \$6,099,291

***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	191,631	
Other capital assets	37,332,803	
Accumulated depreciation	<u>(10,942,181)</u>	
Total capital assets		27,026,613

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	80,379	
Income taxes	73,904	
Intergovernmental	<u>44,833</u>	
		199,116

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. 1,557,010

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. 59,598

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	(3,239,350)	
Accretion on bonds	(112,682)	
Accrued interest on bonds	(12,068)	
Premium on Refunding	(211,175)	
Capital Lease	(162,754)	
Compensated absences	<u>(1,758,275)</u>	
Total liabilities		<u>(5,496,304)</u>

Net Assets of Governmental Activities \$29,445,324

See accountant's compilation report
 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, 2007

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$2,776,355	\$361,715	\$3,138,070
Income Taxes	1,078,703	0	1,078,703
Intergovernmental	9,222,477	2,104,153	11,326,630
Interest	315,080	0	315,080
Tuition and Fees	1,231,533	0	1,231,533
Rent	25,635	0	25,635
Extracurricular Activities	0	106,595	106,595
Contributions and Donations	52,500	13,835	66,335
Customer Sales and Services	18,233	346,138	364,371
Miscellaneous	28,922	617	29,539
Total Revenues	14,749,438	2,933,053	17,682,491
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,622,969	603,933	7,226,902
Special	413,107	604,775	1,017,882
Vocational	5,643	0	5,643
Support Services:			
Pupils	419,795	368,074	787,869
Instructional Staff	737,988	9,045	747,033
Board of Education	1,276,824	0	1,276,824
Administration	942,998	103,590	1,046,588
Fiscal	361,092	5,118	366,210
Business	37,297	0	37,297
Operation and Maintenance of Plant	1,466,508	27,429	1,493,937
Pupil Transportation	852,698	0	852,698
Central	0	9,426	9,426
Operation of Non-Instructional Services:			
Food Services	0	720,358	720,358
Extracurricular Activities	120,278	78,801	199,079
Capital Outlay	191,898	191,631	383,529
Debt Service:			
Principal Retirement	29,144	170,000	199,144
Interest and Fiscal Charges	14,542	153,181	167,723
Total Expenditures	13,492,781	3,045,361	16,538,142
Excess of Revenues Over (Under) Expenditures	1,256,657	(112,308)	1,144,349
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	191,898	0	191,898
Transfers-In	0	543,487	543,487
Transfers-Out	(543,392)	(95)	(543,487)
Total Other Financing Sources (Uses)	(351,494)	543,392	191,898
Net Change in Fund Balances	905,163	431,084	1,336,247
Fund Balances at Beginning of Year	3,680,305	1,082,739	4,763,044
Fund Balances at End of Year	\$4,585,468	\$1,513,823	\$6,099,291

See accountant's compilation report
See accompanying notes to the basic financial statements₁₈

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, 2007

Net Change in Fund Balances - Total Governmental Funds \$1,336,247

**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	591,400	
Depreciation expense	(1,361,844)	
Excess of depreciation expense over capital outlay	(770,444)	(770,444)

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	11,641	
Income taxes	16,757	
Intergovernmental	44,833	
Total (increase)/decrease	73,231	73,231

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. (191,898)

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. 323,838

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	170,000	
Capital Lease	29,144	
Total long-term debt repayment	199,144	199,144

Governmental funds report premiums and bond issuance costs as other financing sources and as expenditures, respectively, whereas these amounts are deferred and amortized in the Statement of Activities. In the current period, these amounts are:

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

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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	(18,668)	
Decrease in accrued interest	697	
Accretion on bonds	(29,750)	
Total (increase)/decrease	(47,721)	(47,721)

Change in Net Assets of Governmental Activities \$922,398

See accountant's compilation report
 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, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$2,729,316	\$2,796,518	\$2,796,518	\$0
Income Taxes	929,723	960,656	960,656	0
Intergovernmental	9,751,707	9,222,477	9,222,477	0
Interest	189,472	314,639	314,639	0
Tuition and Fees	1,147,594	1,231,533	1,231,533	0
Rent	18,879	25,635	25,635	0
Contributions and Donations	12,500	52,500	52,500	0
Customer Sales and Service	17,328	18,233	18,233	0
Miscellaneous	50,020	28,922	28,922	0
<i>Total Revenues</i>	14,846,539	14,651,113	14,651,113	0
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,306,370	6,653,680	6,653,680	0
Special	683,653	494,212	494,212	0
Vocational	10,929	5,242	5,242	0
Support Services:				
Pupils	497,335	422,271	422,271	0
Instructional Staff	783,316	876,863	876,863	0
Board of Education	1,814,905	1,403,427	1,403,427	0
Administration	1,145,216	933,277	933,277	0
Fiscal	436,995	373,854	373,854	0
Business	59,747	89,446	89,446	0
Operation and Maintenance of Plant	1,874,182	1,557,405	1,557,405	0
Pupil Transportation	893,045	863,957	863,957	0
Extracurricular Activities	151,325	119,576	119,576	0
<i>Total Expenditures</i>	16,657,018	13,793,210	13,793,210	0
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,810,479)	857,903	857,903	0
<u>Other Financing Sources (Uses):</u>				
Transfers-Out	(1,054,916)	(647,392)	(647,392)	0
Advances-In	182,773	105,910	105,910	0
Advances-Out	(105,910)	(221,618)	(221,618)	0
<i>Total Other Financing Sources (Uses)</i>	(978,053)	(763,100)	(763,100)	0
<i>Net Change in Fund Balance</i>	(2,788,532)	94,803	94,803	0
<i>Fund Balance at Beginning of Year</i>	4,050,315	4,050,315	4,050,315	0
<i>Prior Year Encumbrances Appropriated</i>	510,159	510,159	510,159	0
<i>Fund Balance at End of Year</i>	\$1,771,942	\$4,655,277	\$4,655,277	\$0

See accountant's compilation report
See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2007

	<u>Self-Insurance</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$818,392
Cash and Cash Equivalents with Fiscal Agent	908,891
Receivables:	
Intergovernmental	<u>22,269</u>
<i>Total Assets</i>	1,749,552
<u>Liabilities:</u>	
Claims Payable	<u>192,542</u>
<u>Net Assets:</u>	
Unrestricted	<u><u>\$1,557,010</u></u>

See accountant's compilation report

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, 2007

	Self-Insurance
<u>Operating Revenues:</u>	
Charges for Services	\$2,184,333
<u>Operating Expenses:</u>	
Purchased Services	50,844
Claims	1,809,651
<i>Total Operating Expenses</i>	1,860,495
<i>Change in Net Assets</i>	323,838
<i>Net Assets at Beginning of Year</i>	1,233,172
<i>Net Assets at End of Year</i>	\$1,557,010

See accountant's compilation report
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, 2007

	<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	\$2,184,333
Cash Payments to Suppliers for Goods and Services	(50,844)
Cash Payments for Claims	(1,787,828)
<i>Net Cash Provided by Operating Activities</i>	345,661
<u>Cash Flows from Noncapital Financing Activities:</u>	
Repayment of Loans from Other Governments	67,393
Short-Term Loans to Other Governments	(22,269)
<i>Net Cash Provided by Noncapital Financing Activities</i>	45,124
<i>Increase in Cash and Cash Equivalents</i>	390,785
<i>Cash and Cash Equivalents at Beginning of Year</i>	1,336,498
<i>Cash and Cash Equivalents at End of Year</i>	\$1,727,283
<i>Reconciliation of Operating Income to Net Cash</i>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$323,838
<i>Adjustments to Reconcile Operating Income to</i>	
<u>Net Cash Provided by Operating Activities:</u>	
Increase in Claims Payable	21,823
<i>Net Cash Provided by Operating Activities</i>	\$345,661

See accountant's compilation report
See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2007

	<u>Student Managed Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$38,789
	<u><u> </u></u>
<u>Liabilities:</u>	
Undistributed Monies	\$38,789
	<u><u> </u></u>

See accountant's compilation report
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, 2007

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 84 non-certificated employees, 128 certificated teaching personnel, and 16 administrative employees who provide services to 1,989 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 eight organizations, five 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 Pilasco-Ross Special Education Regional Resource Center, 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, 2007

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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. 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 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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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 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, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2007, is presented as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2007, 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, 2007.

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 2007 amounted to \$315,080, which includes \$90,534 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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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.

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 five thousand dollars. 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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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 gain/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.

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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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.

The government-wide Statement of Net Assets reports \$1,714,488 of restricted net assets, none of which are restricted by enabling legislation.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Internal Activity

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.

NOTE 3 – ACCOUNTABILITY

At June 30, 2007, the Food Service, Miscellaneous State Grants, Title VI-B, Title I, Title V and Title II-A Special Revenue Funds had deficit fund balances of \$20,374, \$1,256, \$20,208, \$62,118, \$973 and \$45, respectively, as a result of the application of generally accepted accounting principles. 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).

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

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	\$905,163
Adjustments:	
Revenue Accruals	(290,223)
Expenditure Accruals	314,032
Transfers	(104,000)
Advances	(115,708)
Encumbrances	<u>(614,461)</u>
Budget Basis	<u><u>\$94,803</u></u>

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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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 training requirements have been met.

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

At June 30, 2007, the School District had "Cash and Cash Equivalents with Fiscal Agent" on the Statement of Net Assets of \$908,891. 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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Cash on Hand

At fiscal year-end, the District had \$2,000 in undeposited cash on hand which is included on the basic financial statements of the District, as part of the “Equity in Pooled Cash and Cash Equivalents”.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements” and GASB Statement No. 40, “Deposit and Investment Risk Disclosure.”

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At June 30, 2007, the carrying amount of all District deposits was \$7,961,232. Based on the criteria described in GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, as of June 30, 2007, \$100,000 of the District’s bank balance of \$8,065,948 was covered by Federal Deposit Insurance. The remaining balance of \$7,965,918 was collateralized with securities held by the District’s financial institution or its agency in the District’s name.

Investments

As of June 30, 2007, the School District had the following investment:

	<u>Fair Value</u>	<u>Average Maturity</u>
STAROhio	<u>\$2,343</u>	<u>38.56 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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Credit Risk

As of June 30, 2007, 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.

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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date.

Assessed values for real property taxes are established by State law at thirty-five 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments 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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 – PROPERTY TAXES (continued)

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, 2007, are available to finance fiscal year 2007 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, 2007 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.

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, 2007 was \$194,035 in the General Fund, \$22,309 in the Bond Retirement Debt Service Fund and \$3,895 in the Other Governmental Funds. The amount available as an advance at June 30, 2006, was \$214,198 in the General Fund, \$24,414 in the Bond Retirement Debt Service Fund and \$4,295 in Other Governmental Funds.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$137,587,570	93.83%	\$141,369,590	94.50%
Public Utility Personal	6,729,440	4.59%	6,443,790	4.31%
General Business Personal	2,319,510	1.58%	1,784,620	1.19%
Total Assessed Value	\$146,636,520	100.00%	\$149,598,000	100.00%
Tax rate per \$1,000 of assessed valuation	\$34.60		\$34.60	

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, the voters of the School District approved the renewal of the income tax levy. Collections began January, 2005 and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 – RECEIVABLES

Receivables at June 30, 2007, consisted of property and income taxes, interfund, accrued interest and intergovernmental grants. The Self-Insurance Internal Service Fund intergovernmental receivable consists of claims payments made on behalf of other members of the Ross County Insurance Consortium using surplus monies of the School District. The School District believes that all receivables, except for property taxes and the Internal Service Fund receivable, 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 delinquencies 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.

The principal item of governmental fund intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Food Services	\$35,643
Title VI-B	32,135
Title I	118,063
Title II-A	19,907
Title II-D	<u>3,815</u>
Total Governmental Activities	209,563
<u>Business-Type Activities:</u>	
Due from Consortium Members	<u>22,269</u>
Total Intergovernmental Receivable	<u><u>\$231,832</u></u>

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/2006	Additions	Deletions	Balance at 6/30/2007
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$444,360	\$0	\$0	\$444,360
Construction in Progress	0	191,631	0	191,631
Total Capital Assets Not Being Depreciated	444,360	191,631	0	635,991
Capital Assets Being Depreciated:				
Land Improvements	1,637,043	39,291	0	1,676,334
Buildings and Improvements	32,140,716	0	0	32,140,716
Furniture, Fixtures and Equipment	886,101	215,228	0	1,101,329
Vehicles	1,729,045	145,250	0	1,874,295
Textbooks and Educational Media	540,129	0	0	540,129
Total Capital Assets Being Depreciated	\$36,933,034	\$399,769	\$0	\$37,332,803
	Balance at 6/30/2006	Additions	Deletions	Balance at 6/30/2007
Less Accumulated Depreciation:				
Land Improvements	(\$310,265)	(\$77,914)	\$0	(\$388,179)
Buildings and Improvements	(7,387,565)	(987,005)	0	(8,374,570)
Furniture, Fixtures and Equipment	(355,808)	(100,915)	0	(456,723)
Vehicles	(1,211,623)	(105,988)	0	(1,317,611)
Textbooks and Educational Media	(315,076)	(90,022)	0	(405,098)
Total Accumulated Depreciation	(9,580,337)	(1,361,844) *	0	(10,942,181)
Total Capital Assets Being Depreciated, Net	27,352,697	(962,075)	0	26,390,622
Governmental Activities Capital Assets, Net	\$27,797,057	(\$770,444)	\$0	\$27,026,613

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 – CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,087,648
Vocational	844
Support Services:	
Pupils	2,750
Instructional Staff	55,809
Administration	267
Fiscal	11,291
Business	35,181
Operation and Maintenance of Plant	2,643
Pupil Transportation	110,971
Operation of Non-Instructional Services:	
Food Services	17,915
Extracurricular Activities	36,525
Total Depreciation Expense	<u><u>\$1,361,844</u></u>

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 2007, the School District contracted with Indiana Insurance for building and contents and fleet insurance.

Insurance coverage provided includes the following:

Building and Contents replacement cost (\$2,500 deductible)	\$49,655,904
Inland Marine Coverage (\$500 deductible)	100,000
Automobile Liability (\$500 deductible)	1,000,000
Uninsured Motorists (\$500 deductible)	1,000,000

During fiscal year 2007, 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 the OSP (See Note 18).

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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	\$1,000,000
Personal and Advertising Injury Limit - Each Offense	1,000,000
Fire Damage Limit	500,000
Medical Expense - Any One Person Limit	10,000
Medical Expense - Each Accident Limit	10,000
General Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000

Employee Benefits Liability Coverage Endorsement - Claims Made:

Each Offense Limit	1,000,000
Aggregate Limit	3,000,000

Employer's Liability - Stop Gap Coverage Endorsement:

Bodily Injury by Accident - Each Accident	1,000,000
Bodily Injury by Disease	1,000,000
Bodily Injury by Disease - Each Employee	1,000,000

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

Errors and Omissions Injury Limit	1,000,000
Errors and Omissions Injury Aggregate Limit	3,000,000
Employment Practices Injury Limit	1,000,000
Employment Practices Injury Aggregate Limit	3,000,000

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, 2007

NOTE 10 – RISK MANAGEMENT (continued)

B. Workers’ Compensation

For fiscal year 2007, 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 thirteen 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 \$192,542 reported in the Internal Service Fund at June 30, 2007, 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
2006	\$202,068	\$1,263,409	\$1,294,758	\$170,719
2007	170,719	1,809,651	1,787,828	192,542

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit 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 43215-3476, or by calling toll-free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

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 2007, 10.68 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, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$179,809, \$177,907 and \$176,000 respectively; 46.85 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System of Ohio

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

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

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 member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, 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 2006, 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, 2007, 2006, and 2005 were \$784,933, \$796,744, and \$760,219 respectively; 83.58 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$1,016 made by the School District and \$4,702 made by the plan members.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

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, 2007, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 – POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$60,379 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$90,046.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

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 ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

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

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 at 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 U.S. Life 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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 14 – LEASES – LESSEE DISCLOSURE

During fiscal year 2007, the School District entered into capitalized leases for copiers. 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. 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.

Capital assets acquired by lease were initially capitalized in the amount of \$191,898 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 2007 totaled \$29,144 and were paid from the General Fund.

The assets acquired through capital leases as of June 30, 2007, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Copiers	\$191,898	(\$35,181)	\$156,717

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, 2007:

	Fiscal Year Ending June 30,	Total Payments
	2008	\$47,657
	2009	47,657
	2010	47,657
	2011	47,657
	2012	3,970
Total		194,598
Less: Amount Representing Interest		(31,844)
Present Value of Net Minimum Lease Payments		\$162,754

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during the fiscal year 2007 were as follows:

	Amounts Outstanding 6/30/06	Additions	Deductions	Amounts Outstanding 6/30/07	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2000 School Improvement					
Bonds - 4.4% to 5.5%					
Serial Bonds	\$880,000	\$0	\$160,000	\$720,000	\$170,000
Capital Appreciation Bonds	80,928	0	0	80,928	0
Accretion on Cap. Apprec.	82,483	24,197	0	106,680	0
2006 School Improvement					
Refunding Bonds - 3.65% to 4.75%					
Serial Bonds	2,585,000	0	10,000	2,575,000	25,000
Capital Appreciation Bonds	14,999	0	0	14,999	0
Accretion on Cap. Apprec.	449	5,553	0	6,002	0
Premium on Refunding	224,443	0	13,268	211,175	0
Unamortized Loss	(161,100)	0	(9,523)	(151,577)	0
Capital Leases	0	191,898	29,144	162,754	34,605
Compensated Absences	1,739,607	173,780	155,112	1,758,275	110,915
Total Governmental Activities					
Long-Term Obligations	<u>\$5,446,809</u>	<u>\$395,428</u>	<u>\$358,001</u>	<u>\$5,484,236</u>	<u>\$340,520</u>

2000 School Improvement Bonds – On November 14, 2000, the School District issued \$4,225,928 of voted general obligation bonds for 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 2006 with proceeds of the 2006 School Improvement Refunding Bonds, as described below. \$80,928 was issued as capital appreciation bonds. The bonds were issued for a twenty-three year period, with final maturity December 1, 2022. The bonds will be retired from the Bond Retirement Debt Service Fund.

The capital appreciation bonds will mature in fiscal years 2011 and 2012. The maturity amount of the bonds is \$400,000. For fiscal year 2007, \$24,197 was accreted on the capital appreciation bonds for a total outstanding bond value for the entire issue of \$907,608 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 seventeen 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, 2007

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 2007, \$5,553 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 outstanding at June 30, 2007 were \$2,600,000.

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$195,000	\$144,815	\$0	\$0	\$195,000	\$144,815
2009	200,000	135,695	0	0	200,000	135,695
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
2013-2017	730,000	387,938	52,663	392,337	782,663	780,275
2018-2022	1,405,000	233,022	0	0	1,405,000	233,022
2023	315,000	7,088	0	0	315,000	7,088
Totals	<u>\$3,295,000</u>	<u>\$1,261,152</u>	<u>\$95,927</u>	<u>\$549,073</u>	<u>\$3,390,927</u>	<u>\$1,810,225</u>

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

The School District's overall legal debt margin was \$9,742,687 with an unvoted debt margin of \$145,929 at June 30, 2007.

NOTE 16 – INTERFUND ACTIVITY

As of June 30, 2007, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Receivable
	General Fund
	<hr/>
Payable	
Other Governmental Funds	<u>\$221,618</u>

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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, 2007 were as follows:

Transfers To	Transfers From		
	General Fund	Other Governmental Funds	Total
Other Governmental Funds	\$543,392	\$95	\$543,487

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 \$113,727 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.

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 eleven 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 twelve 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 one hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen 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.

E. Pilasco-Ross Special Education Regional Resource Center

The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (continued)

The SERRC is governed by a Board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Shawnee State University, and Ross-Pike, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Gary Dutey, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

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 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 Plan 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 thirteen member Board of Directors consisting of school district superintendents and treasurers, as well as Dave Harcum, an independent consultant of the Hylant Group, Inc., and a partner of the Hylant Group, Inc. The Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 thirteen 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.

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, 2006	\$322,597	\$246,241
Current Fiscal Year Set-aside Requirement	298,792	298,762
Current Fiscal Year Offsets	0	(58,699)
Qualifying Disbursements	(447,093)	(794,354)
Set-aside Reserve Balance as of June 30, 2007	\$174,296	(\$308,050)
Required Set-aside Balances Carried Forward to FY 2008	\$174,296	\$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.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 21 - CONTRACTUAL COMMITMENTS

The School District contracted for the design and construction of new restrooms and a concession stand for the School District’s athletic complex. The outstanding construction commitments at June 30, 2007 are:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/2007</u>
Greenlawn Landscaping and Construction	\$175,100	\$139,217	\$35,883
Flow Master Inc.	57,290	24,376	32,914
Advance Services Inc.	12,250	6,762	5,488
Perry Electric Co.	31,146	17,697	13,449
Total	<u>\$275,786</u>	<u>\$188,052</u>	<u>\$87,734</u>

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, 2007.

B. Litigation

The School District is party to legal proceedings. It is management’s opinion that the ultimate outcome of the proceedings will not materially adversely affect the School District’s finances.

Union Scioto Local School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	06-PU-2007	10.553	\$79,528	\$79,528
National School Lunch Program	LL-P4 2007	10.555	245,144	245,144
Total Nutrition Cluster			<u>324,672</u>	<u>324,672</u>
Total U.S. Department of Agriculture			<u>324,672</u>	<u>324,672</u>
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 2007	84.010	438,808	503,644
Special Education - Grants to States (IDEA Part B)	6B-SF 2007	84.027	392,145	434,803
Safe and Drug-Free Schools and Communities	DR-S1-07	84.186	9,839	9,542
Innovative Educational Program Strategies	C2-S1 2007	84.298	2,138	3,111
Title II-D Technology	TJ-S1 2007	84.318	3,043	4,889
Improving Teacher Quality Grants	TR-S1 2007	84.367	66,113	85,170
Total U.S. Department of Education			<u>912,086</u>	<u>1,041,159</u>
Total Federal Financial Assistance			<u>\$1,236,758</u>	<u>\$1,365,831</u>

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2007, the District received \$32,796 and used \$32,796 in fair value inventory under the Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Donated commodities are used first and the ending inventory consists of purchased commodities. At June 30, 2007 the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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

Board of Education
Union Scioto Local School District
1565 Egypt Pike Road
Chillicothe, Ohio 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 (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2007. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A 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 District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential 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 material weaknesses, as defined above.

We noted a certain matter that we reported to the District's management in a separate letter dated December 11, 2007.

Union Scioto Local School District
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. However, we noted an instance of noncompliance that we have reported to the management of the District in a separate letter dated December 11, 2007.

This report is intended for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 11, 2007

**Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control over Compliance in
Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of Union Scioto Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

Internal Control over Compliance

The 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 District's internal control over compliance with 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 District's internal control over compliance.

Union Scioto Local School District
Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control over Compliance in
Accordance with OMB Circular A-133

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 program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance 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 District's internal control will not prevent or detect material noncompliance 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.

This report is intended for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 11, 2007

UNION SCIOTO LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2007

A. SUMMARY OF AUDITOR'S RESULTS

1. Type of Financial Statement Opinion	Unqualified
2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?	No
4. Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
5. Were there any material internal control weaknesses reported for major federal programs?	No
6. Were there any other reportable internal control weaknesses reported for major federal programs?	No
7. Type of Major Programs' Compliance Opinion	Unqualified - Nutrition Cluster Unqualified - Title I
8. Are there any reportable findings under § .510?	No
9. Major Programs (list):	CFDA #10.553; 10.555 Nutrition Cluster CFDA #84.010 Title I
10. Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Other Programs
11. Low Risk Auditee?	No

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There are no findings and questioned costs for federal awards.

UNION SCIOTO LOCAL SCHOOL DISTRICT

Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2007

Finding Number	Description	Status	Comments
	<i>Government Auditing Standards:</i>		
2006-001	One of the lunchroom applications was filled out incorrectly.	Fully Corrected	The District believes this was an isolated situation, that does not warrant a change in procedures. The District will continue to process application forms in the same manner.



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 20, 2008**