



Dave Yost • Auditor of State

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Upper Scioto Valley Local School District
Hardin County
P.O. Box 305
McGuffey, Ohio 45859

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, Ohio (the School District), as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, Ohio, as of June 30, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund and Classroom Facilities Maintenance Fund thereof for the fiscal year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2011, the Upper Scioto Valley School District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net cash assets, changes in net cash assets, governmental activities and long-term debt. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

April 30, 2012

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The management's discussion and analysis of the Upper Scioto Valley Local School District's (the School District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2011, within the limitations of the School District's cash basis of accounting. 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 cash-basis financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- The total net cash assets of the School District decreased \$915,253 or 51.90% from fiscal year 2010.
- General cash receipts accounted for \$6,138,987 or 77.47% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,785,118 or 22.53% of total governmental activities cash receipts.
- The School District had \$8,839,358 in cash disbursements related to governmental activities; \$1,785,118 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$6,138,987 were not adequate to provide for these programs.
- The School District's major funds are the general fund, classroom facilities maintenance fund, bond retirement fund and permanent improvement capital projects fund. The general fund, the School District's largest major fund, had cash receipts and other financing sources of \$6,603,724 in 2011. The cash disbursements and other financing uses of the general fund, totaled \$7,311,926 in 2011. The general fund's cash balance decreased \$708,202 or 91.66% from 2010 to 2011.
- The classroom facilities maintenance fund, a School District major fund, had cash receipts of \$58,545 in 2011. The classroom facilities maintenance fund had cash disbursements of \$69,236 in 2011. The classroom facilities maintenance fund cash balance decreased \$10,691 or 6.11% from 2010 to 2011.
- The bond retirement fund, a School District major fund, had cash receipts and other financing sources of \$252,623 in 2011. The bond retirement fund had cash disbursements of \$239,333 in 2011. The bond retirement fund cash balance increased \$13,290 or 4.35% from 2010 to 2011.
- The permanent improvement capital projects fund, a School District major fund, had cash receipts of \$290,094 in 2011. The permanent improvement capital projects fund had cash disbursements of \$122,018 in 2011. The permanent improvement capital projects fund cash balance increased \$168,076 or 241.29% from 2010 to 2011.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Using this Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's cash basis of accounting.

The statement of net assets - cash basis and statement of activities - cash basis provide information about the activities of the whole School District, presenting an aggregate view of the School District's cash basis 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 non-major funds presented in total in one column. In the case of the School District, there are four major governmental funds. The general fund is the largest major fund.

Reporting the School District as a Whole

Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis

The statement of net assets - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2011?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net assets - cash basis and statement of activities - cash basis the Governmental Activities include School District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net assets - cash basis and statement of activities - cash basis can be found on pages 15-16 of this report.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

The School District's major governmental funds are the general fund, classroom facilities maintenance fund, bond retirement and permanent improvement capital projects fund. The analysis of the School District's major governmental funds begins on page 9.

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 year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The governmental fund statements provide a detailed 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 cash basis financial resources that can be readily spent to finance various School District programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

The School District's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the general fund and classroom facilities maintenance fund are presented to demonstrate the School District's compliance with annually adopted budgets. The budgetary statements can be found on pages 17-18 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The School District's only fiduciary funds are a private-purpose trust fund and an agency fund. Only the cash held at year end for these funds is reported on page 19-20.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Government-Wide Financial Analysis

Recall that the statement of net assets - cash basis provides the perspective of the School District as a whole. The table below provides a summary of the School District's net cash assets at June 30, 2011 and June 30, 2010.

	Net Cash Assets	
	Governmental Activities 2011	Governmental Activities 2010
Assets:		
Equity in pooled cash and cash equivalents	\$848,398	\$1,762,944
Cash and cash equivalents with fiscal agent		707
Total assets	<u>848,398</u>	<u>1,763,651</u>
Net Cash Assets:		
Restricted	845,438	1,151,623
Unrestricted	2,960	612,028
Total net cash assets	<u>\$848,398</u>	<u>\$1,763,651</u>

The total net cash assets of the School District decreased \$915,253 which represents a 51.90% decrease from fiscal year 2010. The decrease in net assets is due mostly to slightly increased revenues not being sufficient to cover decreasing expenditures in fiscal year 2011. Of the \$915,253 decrease in net cash assets of governmental activities, \$708,202, or 77.38% of the decrease can be attributed to the activity of the School District's General fund.

The balance of government-wide unrestricted net cash assets of \$64,269 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal year 2011 and 2010. During 2011 the School District reclassified income from the rental of farm land to earnings on investments. For consistency this income has been reclassified for 2010.

	Change in Net Cash Assets	
	Governmental Activities 2011	Governmental Activities 2010
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 561,254	\$ 445,154
Operating grants and contributions	1,206,558	949,118
Capital grants and contributions	17,306	20,000
Total program cash receipts	<u>1,785,118</u>	<u>1,414,272</u>
General cash receipts:		
Property taxes	1,579,516	1,539,138
Income taxes	312,702	308,358
Unrestricted grants and entitlements	4,125,103	4,358,948
Investment earnings	111,178	102,856
Other	10,488	58,311
Total general cash receipts	<u>6,138,987</u>	<u>6,367,611</u>
Total cash receipts	<u>\$7,924,105</u>	<u>\$7,781,883</u>

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

	Change in Net Cash Assets (Continued)	
	Governmental Activities 2011	Governmental Activities 2010
Cash Disbursements:		
Instruction:		
Regular	\$3,975,213	\$3,921,420
Special	504,376	1,202,847
Vocational	97,852	11,986
Other	305,850	17,789
Support services:		
Pupil	115,063	241,089
Instructional staff	371,674	380,716
Board of education	13,626	23,836
Administration	886,326	772,083
Fiscal	333,599	367,683
Central	45,917	
Operations and maintenance	809,035	1,258,419
Pupil transportation	386,074	463,064
Central	134,343	252,712
Operation of non-instructional services:		
Food service operations	341,000	315,510
Other non-instructional services	143	136
Extracurricular	228,802	221,965
Facilities acquisition and construction	26,462	1,219,098
Debt service:		
Principal retirement	140,000	105,000
Interest and fiscal charges	124,003	128,067
Total cash disbursements	8,839,358	10,903,420
Change in net cash assets	(915,253)	(3,121,537)
Net cash assets at beginning of year	1,763,651	4,885,188
Net cash assets at end of year	\$ 848,398	\$1,763,651

Governmental Activities

Governmental cash assets decreased by \$915,253 in 2011 from 2010. Total governmental disbursements of \$8,839,358 were offset by program receipts of \$1,785,118 and general receipts of \$6,138,987. Program receipts supported 20.20% of the total governmental disbursements. The largest governmental disbursements were instructional expenditures which totaled \$4,883,291 or 55.24% of total governmental expenditures.

The significant increase in operating grants and contributions totaled \$257,440. This increase is attributable to \$332,589 in funding through the State of Ohio for Pathway for Student Success (PASS) funding which offsets special education costs. PASS funding has been reported as program revenue in fiscal year 2011 versus general revenue in fiscal year 2010.

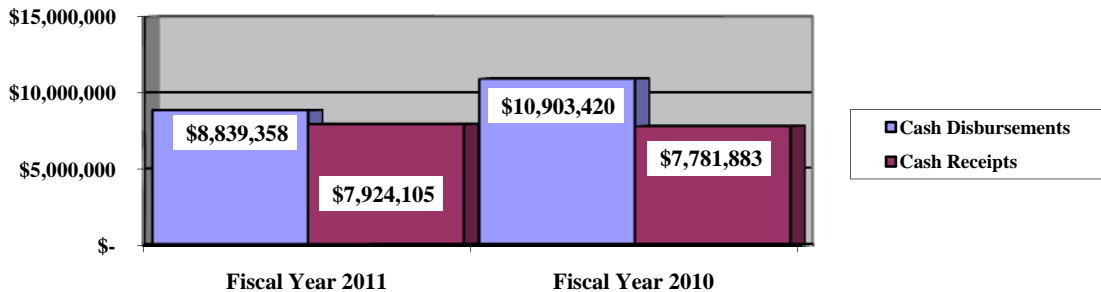
**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 75.94% of total governmental receipts. Real estate property is reappraised every six years.

The graph below shows the District governmental activities cash receipts and cash disbursements for fiscal year 2011 and 2010.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



The table below shows the total cost of services and the net cost of services (e.g. the cost of those services supported by general revenues of the School District) for fiscal year 2011 and 2010:

	Governmental Activities			
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Cash disbursements:				
Instruction:				
Regular	\$3,975,213	\$3,451,245	\$ 3,921,420	\$3,506,908
Special	504,376	51,617	1,202,847	933,445
Vocational	97,852	69,772	11,986	5,882
Other	305,850	37,006	17,789	(18,920)
Support services:				
Pupil	115,063	77,047	241,089	90,084
Instructional staff	371,674	333,627	380,716	259,297
Board of education	13,626	13,626	23,836	23,836
Administration	886,326	886,326	772,083	771,744
Fiscal	333,599	333,599	367,683	364,123
Business	45,917	45,917		
Operations and maintenance	809,035	791,404	1,258,419	1,238,419
Pupil transportation	386,074	374,086	463,064	448,642
Central	134,343	122,518	252,712	243,853
Operation of non-instructional services:				
Food service operations	341,000	2,330	315,510	1,983
Operation of non instruction	143	143	136	136
Extracurricular	228,802	173,512	221,965	167,551
Facilities acquisition and construction	26,462	26,462	1,219,098	1,219,098
Debt service:				
Principal retirement	140,000	140,000	105,000	105,000
Interest and fiscal charges	124,003	124,003	128,067	128,067
Total	\$8,839,358	\$7,054,240	\$10,903,420	\$9,489,148

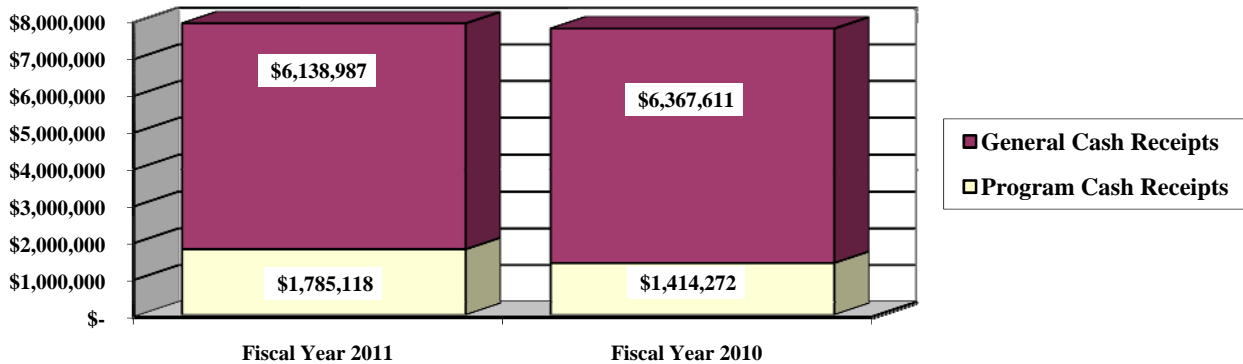
**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The dependence upon general cash receipts for governmental activities is apparent; with 79.80% of cash disbursements supported through taxes and other general cash receipts during 2011.

The graph below shows the School District's governmental activities general receipts and program receipts for fiscal year 2011 and 2010.

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund cash balance of \$848,398, which is \$915,253 lower than last year's total of \$1,763,651. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2011 and June 30, 2010. The School District restated fund balance at June 30, 2010 as described in Note 3.B.

	Fund Cash Balance June 30, 2011	Restated Fund Cash Balance June 30, 2010	Increase (Decrease)
General	\$ 64,412	\$ 772,614	(\$708,202)
Classroom facilities maintenance	164,187	174,878	(10,691)
Bond retirement	318,616	305,326	13,290
Permanent improvement	237,732	69,656	168,076
Other non-major governmental funds	63,451	441,177	(377,726)
Total	\$848,398	\$1,763,651	(\$915,253)

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

General Fund

The general fund, the School District's largest major fund, had cash receipts and other financing sources of \$6,603,724 in 2011. The cash disbursements and other financing uses of the general fund, totaled \$7,311,926 in 2011. The general fund's cash balance decreased \$708,202 or 91.66% from 2010 to 2011.

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2011 Amount</u>	<u>Restated 2010 Amount</u>	<u>Percentage Change</u>
Cash Receipts:			
Property taxes	\$1,395,046	\$1,357,662	2.75 %
Income taxes	312,702	308,358	1.41 %
Tuition	141,913	86,783	63.53 %
Earnings on investments	72,048	3,029	2,278.61 %
Miscellaneous	258,565	246,422	4.93 %
Intergovernmental	<u>4,412,835</u>	<u>4,309,526</u>	2.40 %
Total	<u>\$6,593,109</u>	<u>\$6,311,780</u>	4.46 %

Tuition receipts increased due to additional non-resident students. The School District's increase in investment earnings was due to an increase in rental of real property held for income purposes and other earnings on investments. All other cash receipts remained comparable to 2010.

The table that follows assists in illustrating the cash disbursements of the general fund.

	<u>2011 Amount</u>	<u>Restated 2010 Amount</u>	<u>Percentage Change</u>
Cash Disbursements:			
Instruction	\$4,176,434	\$4,674,344	(10.65) %
Support services	2,873,545	3,166,790	(9.26) %
Operation of non instruction	143	136	5.15 %
Extracurricular	172,810	146,622	17.86 %
Facilities acquisition and construction		334,476	(100.00) %
Principal retirement	15,000	15,000	%
Interest and fiscal charges	14,306	42,809	(66.58) %
Total	<u>\$7,252,238</u>	<u>\$8,380,177</u>	(13.46) %

Instruction services decreased 10.65% due to prudent and careful planning by the School District. Extracurricular cash disbursements increased 17.86% but the amount is immaterial when compared to the total cash disbursements. Overall, cash disbursements decreased \$1,127,939 from 2010.

Classroom Facilities Maintenance Fund

The classroom facilities maintenance fund, a School District major fund, had cash receipts of \$58,545 in 2011. The classroom facilities maintenance fund had cash disbursements of \$69,236 in 2011. The classroom facilities maintenance fund cash balance decreased \$10,691 or 6.11% from 2010 to 2011.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Bond Retirement Fund

The bond retirement fund, a School District major fund, had cash receipts and other financing sources of \$252,623 in 2011. The bond retirement fund had cash disbursements of \$239,333 in 2011. The bond retirement fund cash balance increased \$13,290 or 4.35% from 2010 to 2011.

Permanent Improvement Fund

The permanent improvement capital projects fund, a School District major fund, had cash receipts and other sources of \$290,094 in 2011. The permanent improvement capital projects fund had cash disbursements of \$122,018 in 2011. The permanent improvement capital projects fund cash balance increased \$168,076 or 241.29% from 2010 to 2011.

Budgeting Highlights - General Fund

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, final budget basis receipts and other financing sources were \$6,860,170 which was \$687,683 higher than original budget estimates and other financing sources of \$5,934,850. Actual cash receipts and other financing sources of \$6,922,480 were more than final budget estimates by \$62,310. The final budgetary basis disbursements and other financing uses of \$7,509,291 were more than original budget estimates of \$5,312,885. The actual budgetary basis disbursements and other financing uses of \$7,593,982 were \$84,691 more than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The School District had facilities acquisition and construction disbursements of \$26,462 during fiscal year 2011.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2011 and 2010.

	Long-Term Debt	
	Governmental Activities 2011	Governmental Activities 2010
General obligation bonds	\$1,755,928	\$1,842,263
Energy conservation notes	535,000	565,000
Lease-purchase obligation	265,000	280,000
Capital lease	600,179	611,075
Total long-term obligations	\$3,156,107	\$3,298,338

Current Financial Related Activities

The School District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. The School District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Contacting the 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 Stacy Gratz, Treasurer, Upper Scioto Valley Local School District, P.O. Box 305, McGuffey, OH 45859.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011**

	Primary Government	Component Unit
	Governmental Activities	Upper Scioto Wind/ Energy Academy
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$848,398	\$81,676
Total Assets	848,398	81,676
 Net Cash Assets:		
Restricted for:		
Capital Projects	237,732	
Debt Service	318,616	
Classroom Facilities Maintenance	164,187	
State Funded Programs	1,859	1,200
Federally Funded Programs	30,691	121,622
District Managed Student Activities	6,173	
Other Purposes	24,871	
Unrestricted	64,269	(41,146)
Total Net Cash Assets	\$848,398	\$81,676

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants	Primary Government	Component Unit
				Contributions	Governmental Activities	Upper Scioto Wind/ Energy Academy
Governmental Activities:						
Instruction:						
Regular	\$3,975,213	\$377,625	\$146,343		(\$3,451,245)	
Special	504,376		452,759		(51,617)	
Vocational	97,852		28,080		(69,772)	
Other	305,850		268,844		(37,006)	
Support Services:						
Pupils	115,063		38,016		(77,047)	
Instructional Staff	371,674		38,047		(333,627)	
Board of Education	13,626				(13,626)	
Administration	886,326				(886,326)	
Fiscal	333,599				(333,599)	
Business	45,917				(45,917)	
Operation and Maintenance of Plant	809,035	325		\$17,306	(791,404)	
Pupil Transportation	386,074		11,988		(374,086)	
Central	134,343		11,825		(122,518)	
Operation of Non-Instructional Services:						
Food Services	341,000	128,044	210,626		(2,330)	
Other Non-Instructional Services	143				(143)	
Extracurricular Activities	228,802	55,260	30		(173,512)	
Facilities Acquisition and Construction	26,462				(26,462)	
Debt Service:						
Principal Retirement	140,000				(140,000)	
Interest and Fiscal Charges	124,003				(124,003)	
Total Governmental Activities	<u>\$8,839,358</u>	<u>\$561,254</u>	<u>\$1,206,558</u>	<u>\$17,306</u>	<u>(7,054,240)</u>	
Component Unit:						
Upper Scioto Wind/Energy Academy	<u>495,870</u>	<u>18,606</u>	<u>315,921</u>			<u>(\$161,343)</u>
General Cash Receipts:						
Property Taxes Levied for:						
General Purposes					1,395,046	
Classroom Maintenance					23,695	
Debt Service					160,775	
Income Taxes Levied for General Purposes					312,702	
Grants and Entitlements not Restricted to Specific Programs					4,125,103	214,109
Interest					111,178	
Miscellaneous					10,488	
Total General Cash Receipts					<u>6,138,987</u>	<u>214,109</u>
Change in Net Cash Assets					(915,253)	52,766
Net Cash Assets at Beginning of Year					<u>1,763,651</u>	<u>28,910</u>
Net Cash Assets at End of Year					<u>\$848,398</u>	<u>\$81,676</u>

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Classroom Facilities Maintenance	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$64,412	\$164,187	\$318,616	\$237,732	\$63,451	\$848,398
Total Assets	<u>64,412</u>	<u>164,187</u>	<u>318,616</u>	<u>237,732</u>	<u>63,451</u>	<u>848,398</u>
Cash Fund Balances:						
Restricted:						
Debt Service			318,616			318,616
Capital Improvements				233,660		233,660
Classroom Facilities Maintenance		164,187				164,187
Food Service Operations					24,691	24,691
Targeted Academic Assistance					2,304	2,304
Other Purposes					30,426	30,426
Extracurricular					6,173	6,173
Committed:						
Capital Improvements				4,072		4,072
Assigned:						
Student and Staff Support	19,473					19,473
School Supplies	60					60
Unassigned (deficit)	44,879				(143)	44,736
Total Cash Fund Balances	<u>\$64,412</u>	<u>\$164,187</u>	<u>\$318,616</u>	<u>\$237,732</u>	<u>\$63,451</u>	<u>\$848,398</u>

See accompanying notes to the basic financial statements.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Cash Receipts:						
From Local Sources:						
Property Taxes	\$1,395,046	\$23,695	\$160,775			\$1,579,516
Income Taxes	312,702					312,702
Tuition	141,913					141,913
Earnings on Investments	72,048			\$39,128	\$2	111,178
Charges for Services					128,044	128,044
Extracurricular	11,400				43,220	54,620
Classroom Materials and Fees	31,371					31,371
Rent	325					325
Other	215,469			10,500	1,406	227,375
Intergovernmental - State	4,412,835	34,850	28,145		21,226	4,497,056
Intergovernmental - Federal				6,806	833,199	840,005
Total Cash Receipts	6,593,109	58,545	188,920	56,434	1,027,097	7,924,105
Cash Disbursements:						
Current:						
Instruction:						
Regular	3,631,225			61,309	282,679	3,975,213
Special	476,448				27,928	504,376
Vocational	68,761				29,091	97,852
Other					305,850	305,850
Support Services:						
Pupils	64,634				50,429	115,063
Instructional Staff	321,118				50,556	371,674
Board of Education	13,626					13,626
Administration	886,326					886,326
Fiscal	328,281	682	4,636			333,599
Business	45,917					45,917
Operation and Maintenance of Plant	705,051	68,554		34,247	1,183	809,035
Pupil Transportation	386,074					386,074
Central	122,518				11,825	134,343
Operation of Non-Instructional Services:						
Food Service Operations					341,000	341,000
Other Non-Instructional Services	143					143
Extracurricular Activities	172,810				55,992	228,802
Facilities Acquisition and Construction				26,462		26,462
Debt Service:						
Principal Retirement	15,000		125,000			140,000
Interest and Fiscal Charges	14,306		109,697			124,003
Total Cash Disbursements	7,252,238	69,236	239,333	122,018	1,156,533	8,839,358
Cash Receipts Over (Under) Cash Disbursements	(659,129)	(10,691)	(50,413)	(65,584)	(129,436)	(915,253)
Other Financing Sources and Uses:						
Transfers In			63,703	233,660	1,500	298,863
Transfers (Out)	(59,688)				(239,175)	(298,863)
Advance In	10,615					10,615
Advances (Out)					(10,615)	(10,615)
Total Other Financing Sources	(49,073)		63,703	233,660	(248,290)	
Net Change in Fund Cash Balances	(708,202)	(10,691)	13,290	168,076	(377,726)	(915,253)
Fund Cash Balances at Beginning of Year (Restated - Note 3)	772,614	174,878	305,326	69,656	441,177	1,763,651
Fund Cash Balances at End of Year	\$64,412	\$164,187	\$318,616	\$237,732	\$63,451	\$848,398

See accompanying notes to the basic financial statements.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
From Local Sources:				
Property Taxes	\$1,250,000	\$1,395,046	\$1,395,046	
Income Taxes	300,000	312,702	312,702	
Tuition	80,000	141,913	141,913	
Earnings on Investments	800	72,080	72,048	(\$32)
Classroom Materials and Fees	5,000	19,910	20,235	325
Rental Income	400	225	325	100
Other Local Revenues	305,450	207,228	211,379	4,151
Intergovernmental - State	3,968,837	4,413,703	4,412,835	(868)
Total Receipts	<u>5,910,487</u>	<u>6,562,807</u>	<u>6,566,483</u>	<u>3,676</u>
Disbursements:				
Current:				
Instruction:				
Regular	5,240,789	5,571,297	3,755,973	1,815,324
Special	1,480	1,480	498,498	(497,018)
Vocational			71,943	(71,943)
Other		296,240		296,240
Support Services:				
Pupil		20,686	67,625	(46,939)
Instructional Staff	820	820	335,969	(335,149)
Board of Education		10,000	14,257	(4,257)
Administration		302,000	927,346	(625,346)
Fiscal	10,000	88,202	343,474	(255,272)
Business		35,700	48,042	(12,342)
Operation and Maintenance of Plant	59,007	942,094	737,681	204,413
Pupil Transportation	730	228,730	403,942	(175,212)
Central	59	59	128,188	(128,129)
Operation of Non-Instructional Services:				
Extracurricular Activities			164,367	(164,367)
Debt Service:				
Principal Retirement			15,000	(15,000)
Interest and Fiscal Charges			14,306	(14,306)
Total Disbursements	<u>5,312,885</u>	<u>7,497,308</u>	<u>7,526,611</u>	<u>(29,303)</u>
Receipts Over Disbursements	597,602	(934,501)	(960,128)	(25,627)
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures		273,000	331,634	58,634
Refund of Prior Year Receipts		(7,683)	(7,683)	
Transfers In	10,298	10,298	10,298	
Transfers Out		(4,300)	(59,688)	(55,388)
Advances In	10,615	10,615	10,615	
Sale of Capital Assets	3,450	3,450	3,450	
Total Other Financing Sources (Uses)	<u>24,363</u>	<u>285,380</u>	<u>288,626</u>	<u>3,246</u>
Net Change in Fund Balance	621,965	(649,121)	(671,502)	(22,381)
Fund Balance at Beginning of Year (Restated - Note 3)	703,242	703,242	703,242	
Prior Year Encumbrances Appropriated	13,876	13,876	13,876	
Fund Balance at End of Year	<u>\$1,339,083</u>	<u>\$67,997</u>	<u>\$45,616</u>	<u>(\$22,381)</u>

See accompanying notes to the basic financial statements.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
From Local Sources:				
Property Taxes	\$24,000	\$24,045	\$23,695	(\$350)
Intergovernmental - State	33,769	34,853	34,850	(3)
Total Receipts	<u>57,769</u>	<u>58,898</u>	<u>58,545</u>	<u>(353)</u>
Disbursements:				
Support Services:				
Fiscal	2,070	1,370	682	688
Operations and Maintenance of Plant	92,000	72,800	72,639	161
Total Disbursements	<u>94,070</u>	<u>74,170</u>	<u>73,321</u>	<u>849</u>
Net Change in Fund Balance	(36,301)	(15,272)	(14,776)	496
Fund Cash Balance at Beginning of Year	<u>174,878</u>	<u>174,878</u>	<u>174,878</u>	
Fund Cash Balance at End of Year	<u><u>\$138,577</u></u>	<u><u>\$159,606</u></u>	<u><u>\$160,102</u></u>	<u><u>\$496</u></u>

See accompanying notes to the basic financial statements.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$8,412	\$23,208
Total Assets	8,412	23,208
Net Cash Assets:		
Held in Trust for Scholarships	8,412	
Held for Student Activities		23,208
Total Net Cash Assets	\$8,412	\$23,208

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust</u>
Net Cash Assets - Beginning of Year	<u>Scholarship</u> <u>\$8,412</u>
Net Cash Assets - End of Year	<u>\$8,412</u>

See accompanying notes to the basic financial statements.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT

Upper Scioto Valley 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/or federal guidelines.

The School District was established in 1929 through the consolidation of existing land areas and school districts. The School District serves an area of approximately ninety-five square miles. It is located in Auglaize, Hardin, and Logan Counties, and includes all of the Villages of Alger and McGuffey, all of Marion and Roundhead Townships, and portions of Cessna, Lynn and McDonald Townships in Hardin County. The School District is the 573rd largest in the State of Ohio (among 918 school districts and community schools) in terms of enrollment. It is staffed by 40 classified employees, 60 certified teaching personnel, and 3 administrative employees who provide services to 649 students and other community members. The School District currently operates one instructional building and one garage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food services, 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 organizations' government 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; or (3) 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 (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the School District has one component unit. The basic financial statements of the reporting entity include those of the School District (the primary government) and those of the Upper Scioto Wind/Energy Academy (component unit).

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the School District:

1. Discretely Presented Component Unit

Upper Scioto Wind/Energy Academy

Upper Scioto Wind/Energy Academy (the "Academy") is a conversion-type, site-based community school established pursuant to Ohio Revised Code Chapters 3314 to address the needs of students between sixteen and twenty-two years of age who have dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, or suspensions. The Academy is designed to develop an individual's understanding of the importance, practice, development, delivery, and comprehensiveness of alternative and renewable energy sources and their overall impact on long-term resource conservation and availability. The School District is the Academy's sponsor. The Academy is fiscally dependent on the School District and is therefore reflected as a component unit of the School District. The Academy is reported separately to emphasize that it is legally separate from the School District. The Academy paid the School District \$417,652 for contract services provided by the School District during 2011. Separately issued financial statements for the Academy can be obtained from the Treasurer of the Upper Scioto Valley Local School District at P.O. Box 305, McGuffey, Ohio 45859.

Information in the following notes to the basic financial statements is applicable to the primary government.

2. Jointly Governed Organizations

Ohio Hi-Point Joint Vocational School

The Ohio Hi-Point Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The degree of control exercised by any participating school district is limited to its representation on the Board. The JVS possesses its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami and Shelby 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 WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2011, the School District paid \$51,052 to WOCO for various services. Financial information can be obtained from WOCO, 129 East Court Street, Sidney, Ohio 45365.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hardin County Schools Consortium Local Professional Development Committee

The Hardin County Schools Consortium Local Professional Development Committee (LPDC) was established to plan, promote and facilitate effective and efficient professional educator license renewal standards and staff development activities. The LPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The LPDC is governed by a fifteen member Executive Board. Financial information can be obtained from Mandy Francet, Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326-2385.

3. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Hardin County School Employees' Health and Welfare Benefit Plan and Trust

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust") is a public entity shared risk pool consisting of six school districts, the Hardin County Educational Service Center and the Ada Public Library. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical, dental, vision and life insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to the acceptance by the Administrative Committee and payment of monthly premiums. Financial information can be obtained from Rick Combs, who serves as Director, 9525 T.R. 50, Dola, Ohio 45835.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Related Organization

Alger Public Library

The Alger Public Library of the Upper Scioto Valley School District (the "Library") is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Upper Scioto Valley Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operation subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Alger Public Library of the Upper Scioto Valley School District, P.O. Box 18, 100 West Wagoner Street, Alger, Ohio 45812.

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the School District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services and not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Fund Accounting

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

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classroom facilities maintenance fund - The classroom facilities and maintenance fund is used to account for receipts and disbursements related to facility improvements and maintenance.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

Permanent improvement fund - The permanent improvement fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Ohio Revised Code.

Other governmental funds of the School District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

2. Fiduciary Funds

Fiduciary fund reporting focuses on net cash assets and changes in net cash 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 cash 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. The School District's private-purpose trust fund accounts for programs that provide college scholarships for students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student-managed activities.

D. Basis of Presentation

1. Government-wide Financial Statements

The statement of net assets - cash basis and the statement of activities - cash basis display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets - cash basis presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities - cash basis compares disbursements with program receipts for each function or program of the School District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the School District.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

E. Budgets

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control has been established by the Board at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations below the legal level within all funds are made by the School District Treasurer.

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

The appropriations resolution is subject to amendment throughout the year with the restrictions that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward 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.

F. Cash and Cash Equivalents

To improve cash management, 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. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2011, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue, not including farm rental income, credited to the general fund during fiscal year 2011 amounted to \$1,169, which includes \$564 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the cash management pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

An analysis of the School District's deposits and investments year-end is provided in Note 5.

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt issues are reported as receipts when cash is received and principal and interest payments are reported as disbursements when paid.

J. Fund Cash Balance

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

Non-spendable - The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

K. Net Cash Assets

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net cash assets restricted for other purposes include resources restricted for food service operations and Rockwell Trust fund receipts.

The School District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

L. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

Interfund activity between governmental funds is eliminated on the statement of assets - cash basis and the statement of activities - cash basis.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

3. IMPLEMENTATION OF ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For fiscal year 2011, the School District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the School District.

Implementation of GASB 54 had the following effect on the School District's governmental fund balances as previously reported:

	General	Classroom Facilities Maintenance	Bond Retirement	Permanent Improvement	Non-major Governmental	Total Governmental
Fund Balances are previously reported June 30, 2010	\$729,632	\$174,878	\$305,326	\$69,656	\$484,159	\$1,763,651
Fund reclassifications:						
Uniform school supplies fund	18,335				(18,335)	
Public school support fund	24,647				(24,647)	
Total fund reclassifications	42,982				(42,982)	
Restated fund cash balance at July 1, 2010	<u>\$772,614</u>	<u>\$174,878</u>	<u>\$ 305,326</u>	<u>\$69,656</u>	<u>\$441,177</u>	<u>\$1,763,651</u>

The fund reclassifications did not have an effect on net assets as previously reported.

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the General Fund on a budgetary basis. The School District has elected to present only the legally budgeted General Fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the General Fund's budgetary-basis fund balance at June 30, 2010 is as follows:

	Budgetary Basis
	General Fund
Balance at June 30, 2010	\$715,756
Funds budgeted elsewhere	(12,514)
Restated balance at July 1, 2010	<u>\$703,242</u>

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies may 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all School District deposits was \$248,868. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$75,603 of the School District's bank balance of \$325,603 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. 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 School District. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

B. Investments

As of June 30, 2011, the School District had the following investments and maturities:

Investment type	Cost	Investment Maturities 6 months or less
STAR Ohio	\$631,150	\$631,150
Total	\$631,150	\$631,150

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The School District's investments in STAR Ohio were rated AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer.

C. Reconciliation of Cash and Investments to the Statement of Net Cash Assets

The following is a reconciliation of cash and investments as reported in the note above to cash as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$248,868
Investments	<u>631,150</u>
Total	<u>\$880,018</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$848,398
Private - purpose trust funds	8,412
Agency fund	<u>23,208</u>
Total	<u>\$880,018</u>

6. INTERFUND TRANSACTIONS

A. Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	
Bond retirement fund	\$ 58,188
Non-major governmental funds	1,500
Transfers from non-major governmental funds to:	
Bond retirement fund	5,515
Permanent improvement fund	<u>233,660</u>
Total transfers	<u>\$298,863</u>

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the General fund to the Bond retirement fund was to finance principal and interest payments on energy conservation notes. Transfers to the bond retirement fund and permanent improvement fund from the classroom facilities nonmajor capital projects fund were to close-out the Ohio School Facilities Commission project per Ohio Revised Code Section 3318.12(C)(1).

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

6. INTERFUND TRANSACTIONS (Continued)

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

B. Advances

Interfund advances for the year ended June 30, 2011, consisted of the following, as reported on the fund statements:

<u>Advances from non-major governmental funds to:</u>	
General fund	<u>\$10,615</u>

The primary purpose of the interfund advances is to cover costs in specific funds where revenues were not received by June 30. These interfund advances will be repaid once the anticipated revenues are received. All interfund advances were repaid. The advance was to pay outstanding advances from prior years.

Interfund advances between governmental funds are eliminated on the government-wide financial statements.

7. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The budgetary comparison schedule presented for the general fund and the emergency levy fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund and the classroom facilities maintenance fund.

	<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>	<u>Classroom Facilities Maintenance Fund</u>
Budget basis	(\$671,502)	(\$14,776)
Funds budgeted elsewhere **	(36,700)	
Adjustment for encumbrances		4,085
Cash basis	<u>(\$708,202)</u>	<u>(\$10,691)</u>

** As part of Governmental Accounting Standards Board No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust, uniform school supplies, public school support and School District agency funds.

The District did not comply with the requirement to prepare certificates for Ohio Revised Code 5705.412.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District 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 property, public utility property, and certain tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the School District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The School District receives property taxes from Hardin, Auglaize and Logan Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$58,770,350	90.45	\$58,770,350	90.45
Industrial/commercial	2,377,350	3.66	2,377,350	3.65
Public utility personal	3,743,350	5.76	3,831,300	5.90
Tangible personal property	87,950	0.13		
Total	\$64,979,000	100.00	\$64,979,000	100.00
Tax rate per \$1,000 of assessed valuation	\$33.80		\$33.80	

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. INCOME TAXES

The School District levies a voted tax of 0.5 percent for general operations on the residents and estates. The tax was effective on January 1, 1996, and is a continuing tax. 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 receipts are recorded in the general fund.

10. CAPITAL LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the School District entered into capitalized leases for facilities and equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Debt service payments are reported as function disbursements in the cash basis financial statements for the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligations and the present value of the future minimum lease payments as of June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 11,314	\$ 22,686	\$ 34,000
2013	11,747	22,253	34,000
2014	12,198	21,803	34,001
2015	12,665	21,335	34,000
2016	13,151	20,849	34,000
2017 - 2021	73,714	96,286	170,000
2022 - 2026	88,970	81,030	170,000
2027 - 2031	107,381	62,619	170,000
2032 - 2036	129,607	40,394	170,001
2037 - 2041	139,432	13,570	153,002
Present value of minimum lease payments	<u>\$600,179</u>	<u>\$402,825</u>	<u>\$1,003,004</u>

11. LEASE-PURCHASE AGREEMENT

On June 11, 2009, the School District entered into a lease-purchase financing agreement with U.S. National Bank Association (the "Bank") to finance the construction, improvement, equipping, and furnishing to school buildings. Under the agreement, the School District, acting through the Board of Education (the "Board"), leased certain lands (the "Project Site") to the Bank pursuant to a Ground Lease Agreement dated as of June 11, 2009 (the "Ground Lease"). The Bank, pursuant to a Lease Agreement dated June 11, 2009 (the "Lease"), subleased the Project Site and certain project facilities (the "Project Facilities") to the Board on behalf of the School District.

The Lease term commenced June 11, 2009 and renews annually through December 1, 2023. The Lease requires the School District to make payments of principal each December 1 beginning December 1, 2009 and ending December 1, 2023. Interest payments are due June 1 and December 1 of each year during the Lease term. The Lease states that moneys in the School District's General Fund will be used to pay the principal and interest portions of the lease.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. LEASE-PURCHASE AGREEMENT (Continued)

The Ground Lease is for a term beginning on June 11, 2009 and ending on December 1, 2028; provided, however, in the event that the Lease is terminated by the prepayment of required principal and interest payments, then the term of the Ground Lease shall terminate simultaneously with the termination of the Lease.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 15,000	\$13,519	\$ 28,519
2013	15,000	12,731	27,731
2014	15,000	11,944	26,944
2015	20,000	11,025	31,025
2016	20,000	9,975	29,975
2017 - 2021	105,000	33,994	138,994
2022 - 2024	75,000	5,906	80,906
Present value of minimum lease payments	<u>\$265,000</u>	<u>\$99,094</u>	<u>\$364,094</u>

The School District made principal and interest payments from the Permanent Improvement fund totaling \$29,306 instead of the General Fund as required by the debt agreement.

12. LONG-TERM OBLIGATIONS

A. During the fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance 06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/11</u>	<u>Amount Due in One Year</u>
Governmental Activities:						
General Obligation Bonds:						
School improvement bonds	2.10-5.25%	\$1,660,000		(\$95,000)	\$1,565,000	
Capital appreciation bonds	16.78%	39,999			39,999	\$21,608
Accretion on capital appreciation bonds		142,264	\$8,665		150,929	78,392
Total general obligation bonds payable		<u>1,842,263</u>	<u>8,665</u>	<u>(95,000)</u>	<u>1,755,928</u>	<u>100,000</u>
Other Long-Term Obligations:						
Capital lease obligation		611,075		(10,896)	600,179	11,314
Energy conservation note	5.125%	565,000		(30,000)	535,000	30,000
Lease-purchase obligation		280,000		(15,000)	265,000	15,000
Total other long-term obligations		<u>\$1,456,075</u>		<u>(\$55,896)</u>	<u>\$1,400,179</u>	<u>\$56,314</u>

See Note 10 for detail on the School District's capital lease obligations and Note 11 for detail on the School District's lease-purchase obligation.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

- B.** On May 1, 2002, the School District issued \$2,249,999 in voted general obligation bonds to provide funds for improvements to buildings and structures. These bonds are general obligations of the School District for which the full faith and credit of the School District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as disbursements in the debt service fund (a major governmental fund).

This issue is comprised of serial bonds, par value \$1,050,000, term bonds, par value \$1,160,000 and capital appreciation bonds, par value \$39,999. The capital appreciation bonds were issued at a premium of \$85,669. The interest rates on the serial and term interest bonds range from 2.10% to 5.25%. The capital appreciation bonds mature on December 1, 2011 and December 1, 2012 (actual interest rate 16.78%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The capital appreciation bonds are not subject to redemption prior to maturity. The accreted value at maturity for the capital appreciation bonds is \$200,000. Total accreted interest on the capital appreciation bonds at June 30, 2011 was \$150,929.

Interest payments on the current interest bonds are due on December 1 and June 1 of each year. The final maturity stated in the issue is December 1, 2025.

The term bonds maturing on December 25, 2025, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 in the years and respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2017	\$110,000
2018	115,000
2019	125,000
2020	125,000
2021	130,000
2022	140,000
2023	145,000
2024	155,000

The serial bonds maturing on December 1, 2012, are subject to optional redemption, in whole or in part on any interest payment date, in integral multiples of \$5,000, at the option of the School District on or after June 1, 2012, at the redemption prices (expressed as percentages of principal amount redeemed) plus accrued interest to the redemption date as follows:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
June 1, 2012 and thereafter	100%

The following is a summary of the future debt requirements to maturity for the general obligation bonds:

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	Current Interest Term and Serial General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012		\$ 79,538	\$21,608	\$ 78,392	\$ 21,608	\$157,930
2013		79,538	18,391	81,609	18,391	161,147
2014	\$ 100,000	77,312			100,000	77,312
2015	100,000	72,813			100,000	72,813
2016	100,000	68,212			100,000	68,212
2017 - 2021	580,000	258,564			580,000	258,564
2022 - 2026	685,000	89,117			685,000	89,117
Total	\$1,565,000	\$725,094	\$39,999	\$160,001	\$1,604,999	\$885,095

- C. On June 11, 2009, the School District issued \$576,000 in energy conservation notes to finance electrical infrastructure upgrades. The notes bear an interest rate of 5.125% and mature December 1, 2023. The energy conservation notes are general obligations of the School District for which the full faith and credit of the School District is pledged for repayment. Payments of principal and interest on these notes will be made from the debt service fund (a major governmental fund).

The following is a summary of the future debt requirements to maturity for the energy conservation notes:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 30,000	\$ 26,650	\$ 56,650
2013	30,000	25,112	55,112
2014	35,000	23,447	58,447
2015	35,000	21,653	56,653
2016	35,000	19,859	54,859
2017 - 2021	215,000	68,034	283,034
2022 - 2024	155,000	12,172	167,172
Total	\$535,000	\$196,927	\$731,927

The School District did not establish a separate debt service fund to pay the principal and interest as required by the debt agreement.

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District.

The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation use in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$5,211,517 (including available funds of \$318,616) and an unvoted debt margin of \$64,979.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

13. RISK MANAGEMENT

A. Comprehensive

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2011, the School District contracted for the following insurance coverage:

Description	Amount
Building and Contents – replacement cost	\$34,243,986
Automotive Liability	1,000,000
Commercial Umbrella	3,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000

Settled claims have not exceeded these coverages in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

B. Employee Medical, Dental, Vision and Life Insurance

The School District participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust"), a public entity shared risk pool consisting of six local school districts, the Hardin County Educational Service Center, and the Ada Public Library (See Note 2.A.). Each participating member pays premiums to the Trust for employee medical, dental, life and vision coverage. The Trust is responsible for the management and operation of the program. Upon withdrawal, the School District is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

C. Workers' Compensation

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (see Note 2.A.). The intent of the Plan 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 Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan.

Each member pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$117,718, \$119,520 and \$63,097, respectively; 58.98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. PENSION PLANS (Continued)

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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, 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. 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, 2011, 2010 and 2009 were \$389,337, \$364,132 and \$297,033, respectively; 79.00 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Contributions to the DC and Combined Plans for fiscal year 2011 were \$9,469 made by the School District and \$6,764 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

15. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

15. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries.

Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$27,686, \$14,140 and \$38,563, respectively; 58.98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll.

The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$7,575, \$7,108 and \$5,206, respectively; 58.98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$29,949, \$28,010 and \$22,849, respectively; 79.00 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

16. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. The Superintendent and Treasurer earn twenty days of vacation per year. Accumulated unused vacation time is paid to classified employees, the superintendent and the treasurer upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two-hundred-forty days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of sixty days for all employees.

B. Employee Insurance Benefits

The School District provides employee medical, dental, vision and life insurance benefits through the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust"). Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employees depending on the terms of the union contract.

17. CONTINGENCIES

A. Grants

The School District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School District.

B. Litigation

The School District is involved in no material litigation as either plaintiff or defendant.

18. SET-ASIDES

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

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

18. SET-ASIDES (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-Aside Reserve Balance June 30, 2010	(\$296,291)	
Current Year Set-Aside Requirement	89,027	\$89,027
Current Year Qualifying Expenditures	(109,058)	(89,645)
Excess Qualified Expenditures from Prior Years		
Current Year Offsets		(58,545)
Total	<u>(\$316,322)</u>	<u>(\$59,163)</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$ 0</u>	<u>\$ 0</u>
Set-Aside Balance June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

19. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor restricted endowments. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$8,412 and is included as held in trust for scholarships at June 30, 2011. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the monies should be used to provide a scholarship each year.

20. OTHER COMMITMENTS

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the School District's encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General	\$ 517
Classroom Facilities Maintenance	4,085
Permanent Improvement	9,528
Other governmental	759
Total	<u>\$14,889</u>

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

21. COMPONENT UNIT PAYABLE

At June 30, 2011, the Upper Scioto Wind/Energy Academy (Academy) owed the School District \$221,351 for Academy costs paid by the School District. The Upper Scioto Valley Local School District Board of Education submitted a letter to the Ohio Department of Education on May 31, 2011 indicating their desire to discontinue operations of the Academy. On June 30, 2011, the Academy ceased operations.

22. SUBSEQUENT EVENT FINANCIAL STATUS

The School District's adjusted General fund revenue for fiscal year 2011 is \$6,603,724 and the adjusted General fund expenditures are \$7,311,926. Therefore, in fiscal year 2011, the School District's General Fund expenses outweighed its revenues by \$708,202.

The School District initiated budget cuts for fiscal year 2012, as the expenditure levels of previous years could not be sustained. The School District has initiated additional budget cuts in FY2013.

Based on the most recently filed (unaudited) 5-year forecast (May 2012), the School District is projecting a General fund deficit in fiscal year 2016. If the voters renew the emergency levy in 2013 and the tight spending levels are maintained, the budget deficit can be avoided. If the renewal is unsuccessful, the School District will be forced to make additional budget cuts.

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UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department of Agriculture					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
National School Lunch Program	10.555		\$20,246		\$20,246
Cash Assistance:					
National School Lunch Program	10.555	\$137,132		\$137,132	
School Breakfast Program	10.553	68,717		68,717	
Total Nutrition Cluster		<u>205,849</u>	<u>20,246</u>	<u>205,849</u>	<u>20,246</u>
Total United States Department of Agriculture		<u>205,849</u>	<u>20,246</u>	<u>205,849</u>	<u>20,246</u>
United States Department of Education					
(Passed through Ohio Department of Education)					
Title I Cluster					
Title I Grants to Local Educational Agencies	84.010	108,871		103,000	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	28,818		21,696	
Total Title I Cluster		<u>137,689</u>		<u>124,696</u>	
ARRA Special Education Grants to States, Recovery Act	84.391	96,238		5,232	
Safe and Drug-Free Schools and Communities	84.186	803		803	
Education Technology State Grants	84.318	1,070		1,155	
Improving Teacher Quality State Grants	84.367	45,994		35,354	
ARRA State Fiscal Stabilization Fund (SFSF)					
Education State Grants, Recovery Act	84.394	345,556		461,987	
Total United States Department of Education		<u>627,350</u>		<u>629,227</u>	
Total Federal Financial Assistance		<u>\$833,199</u>	<u>\$20,246</u>	<u>\$835,076</u>	<u>\$20,246</u>

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - FOOD DONATION PROGRAM

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

At June 30, 2011, the School District had no significant food commodities in inventory.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the School District contribute non-Federal funds (match funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included in the Schedule.



Dave Yost • Auditor of State

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

Upper Scioto Valley Local School District
Hardin County
P.O. Box 305
McGuffey, Ohio 45859

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County (the School District), as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 30, 2012, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles and adopted the provisions of Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-02 described in the accompanying schedule of findings to be material weakness.

**Internal Control Over Financial Reporting
(Continued)**

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-03 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-10.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated April 30, 2012.

The School District's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

April 30, 2012



Dave Yost • Auditor of State

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

Upper Scioto Valley Local School District
Hardin County
P.O. Box 305
McGuffey, Ohio 45859

To the Board of Education:

Compliance

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

The School District's basic financial statements include the operations of Upper Scioto Wind/Energy Academy, which received \$211,108 in federal awards which is not included in the School District's Schedule of Federal Awards Receipts and Expenditures for the fiscal year ended June 30, 2011. Our audit of Federal awards, described below, did not include the operations of Upper Scioto Wind/Energy Academy because the component unit is legally separate from the primary government which this report addresses.

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

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

Internal Control Over Compliance

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

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated April 30, 2012.

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



Dave Yost
Auditor of State

April 30, 2012

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	ARRA - State Fiscal Stabilization Fund Education State Grants – Recovery Act (SFSF) - CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2011-01

NONCOMPLIANCE CITATION / MATERIAL WEAKNESS

Upper Scioto Valley Local School District Energy Conservation Notes, Series 2009, requires the School District to place funds pledged for the re-payment of the principal and interest on the Notes in a separate debt service fund. Further, the agreement states the source of the funds for the re-payment of the Notes is to be inside millage.

The School District made principal and interest payments from the Capital Projects Permanent Improvement fund totaling \$58,188 on the 2009 Energy Conservation Notes. A separate debt service fund was not established by the School District and utilized for repayment in accordance with the debt agreement. In addition, all inside millage received by the School District was allocated to the School District's General Fund. Therefore, the source of funds placed in a debt service fund for the repayment of the Notes should have been the General Fund.

The School District's financial statements have been adjusted to reflect transfers from the General Fund to a Debt Service Fund and to reflect the debt payments from the Debt Service Fund.

The School District should provide the county auditor with a copy of this debt agreement which will allow for the tax settlement sheets to be modified to show an allocation of inside millage to a debt service fund. In addition, the Board should review financial reports to help assure that a debt service is used for this debt.

FINDING NUMBER 2011-02

NONCOMPLIANCE CITATION / MATERIAL WEAKNESS

The **Lease Agreement between US Bank National Association and the Board of Education of the Upper Scioto Valley Local School District, dated June 11, 2009** states that moneys in the School District's General Fund will be used to pay the principal and interest portions of the lease.

The School District made principal and interest payments from the Capital Projects Permanent Improvement Fund totaling \$29,306 on the Lease Agreement between US Bank National Association and the Board of Education of the Upper Scioto Valley Local School District.

The School District's financial statements have been adjusted to re-allocate these payments to the General fund as required by the lease agreement.

The School District should implement procedures to help assure compliance with lease agreements.

FINDING NUMBER 2011-03

NONCOMPLIANCE CITATION / SIGNIFICANT DEFICIENCY

Ohio Rev. Code Section 5705.41(C) states that no subdivision or taxing authority shall make any expenditure of money except by a proper warrant drawn against an appropriate fund;

Upper Scioto Valley Board of Education Resolution 2010-272, dated November 30, 2010, established the following school breakfast prices for the School District's cafeteria: \$0.30 for K-12 students eligible for reduced price meals and \$1.25 for students not eligible for free or reduced price meals. However, rather than charging students the Board of Education approved prices for breakfasts, free breakfasts were provided to all students. Had the School District charged the Board approved prices, breakfast proceeds would have totaled \$34,549 (based on 26,448 full price and 4,965 reduced price breakfasts served) during fiscal year 2011. As a result the School District did not collect a significant amount of receipts to help cover the cost of food service operations.

In addition, the following occurred in regards to cafeteria cash collections: 1) cafeteria personnel permitted employees and students to write personal checks payable to the School District in exchange for cash and 2) if a student wrote a check to the School District for their food service account and book fees, cafeteria personnel would credit the student food service account for the entire amount of the check and take the remaining amount from the cash collections for the day to give to the building secretary; the building secretary would then apply the cash received to the student's book fees; and 3) graduating students with a balance on their food service account at the end of the school year were given their remaining balance in cash from cafeteria collections for the day. These practices increase the risk of errors and/or irregularities that may not be detected by management. In addition, the cashing of personal checks in exchange for cash could result in the unnecessary expenses incurred with the return of checks because of non-sufficient funds. Also the payment of obligations in cash violates **Ohio Rev. Code Section 5705.41(C)**, which prohibits the expenditure of money except by warrant.

The School District should clarify its intentions to offer breakfast free to all students by Resolution. The School District should also implement internal control policies over the collection process as well as a policy prohibiting the cashing of personal checks at the School District and should issue warrants for all expenditures. Finally, the School District should consider requiring parents to write separate checks for food service accounts and book fees or require such checks to be turned into the building secretary for allocation to the proper accounts.

FINDING NUMBER 2011-04

Noncompliance Citation

Ohio Rev. Code Section 149.351 (A) All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code. **Ohio Rev. Code Section 149.43(B)** states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

Per School Board meetings minutes for September 16, 1996, Resolution 96-267 was passed establishing a Capital Projects Permanent Improvement Fund (the Fund); however, the School District was unable to provide a copy of this resolution. The failure to maintain this resolution in a manner that makes its readily available for inspection increases the risk that the intent of the resolution is not being followed by School District personnel.

**FINDING NUMBER 2011-04
(Continued)**

The School District should obtain a copy of the resolution that established this Fund or adopt a new resolution that replaces the original resolution. If a new resolution is established, the School District needs to consider accounting guidance such as GASB Statement 54 which discusses the purpose of a capital projects fund. Also the School District should maintain all resolutions in a separate book or electronically in a manner so that they are readily available for future reference.

FINDING NUMBER 2011-05

Noncompliance Citation

Ohio Rev. Code Section 153.67 states that each public authority planning to contract for professional design services or design-build services shall publicly announce all contracts available from it for such services. The announcements shall:

- A. Be made in a uniform and consistent manner and shall be made sufficiently in advance of the time that responses must be received from qualified professional design firms or design-build firms for the firms to have an adequate opportunity to submit a statement of interest in the project;
- B. Include a general description of the project, a statement of the specific professional design services or design-build services required, and a description of the qualifications required for the project;
- C. Indicate how qualified professional design firms or design-build firms may submit statements of qualifications in order to be considered for a contract to design or design-build the project;
- D. Be sent to any of the following that the public authority considers appropriate:
 1. Design-build firms, including contractors or other entities that seek to perform the work as a design-build firm;
 2. Architect, landscape architect, engineer, and surveyor associations;
 3. The news media;
 4. Any publications or other public media, including electronic media.

In addition, on January 12, 2010 and January 5, 2011, the Upper Scioto Valley Board of Education minutes indicate motions were passed which authorized the Superintendent to act as purchasing agent for the district, with the authority to purchase up \$10,000 without receiving prior Board of Education approval.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

School District voucher #56053 indicates the School District's Superintendent entered into an architectural and design services agreement with H.T. Bernsdorff to convert the "blue room" into three classrooms, a receiving area, and a new weight room. Based on the letter from H.T. Bernsdorff attached to the aforementioned voucher, initial construction estimates for this project were \$320,000 and the revised estimate was \$157,000. The project was canceled at a later date and the School District incurred expenses and fees totaling \$23,670, which the Board of Education approved to pay on February 7, 2011 with Resolution 2011-025.

**FINDING NUMBER 2011-05
(Continued)**

The School District did not publicly announce the contracts available from this project as required by Ohio Revised Code Section 153.67. Also, there was no evidence in the School District's minutes that the Board of Education authorized this project prior to the architectural design service work being performed. Such approval would have been necessary given that the estimated and actual project expenses exceeded the amount the Superintendent was authorized to incur without approval from the Board of Education.

The School District should publicly announce all contracts from professional design services and should implement controls to help assure that projects with costs in excess of \$10,000 are approved by the Board of Education prior to expenses being incurred by the School District to prevent unauthorized use of funds.

FINDING NUMBER 2011-06

Noncompliance Citation

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, **Ohio Attorney General Opinion 82-006** indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

The School District incurred expenditures for food and entertainment in the amount of \$3,914 for an Alumni Banquet held on August 14, 2010. There was no evidence that the Board of Education passed a resolution authorizing these expenditures prior to the date of the Alumni Banquet.

The School District's Board of Education should review the guidelines related to the expenditure of public funds being for a proper public purpose and then enact and follow the resolution or policy which outlines what it believes constitutes a "proper public purpose".

FINDING NUMBER 2011-07

Finding for Recovery – Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Principal Craig Hurley received mileage reimbursement check number 55502, dated September 17, 2010 in the amount of \$203.50 for travel incurred on School District business. This reimbursement included 303 miles incurred during the period from May 25, 2010 to August 20, 2010 which he had previously been reimbursed for by the School District with check number 55376, dated August 26, 2010 in the amount of \$151.50. The duplicate reimbursement resulted in an overpayment to Craig Hurley in the amount of \$151 (303 miles x \$.50 per mile).

**FINDING NUMBER 2011-07
(Continued)**

There was no indication the board approved the additional reimbursement to Principal Hurley. Additionally, there was documentation to support that the overpayment was for an otherwise proper public purpose.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Craig Hurley, Principal, in the amount of \$151 and in favor of Upper Scioto Valley Local School District's General Fund.

On April 20, 2012, this finding for recovery was repaid by Craig Hurley with receipt #57380 in the amount of \$151.

FINDING NUMBER 2011-08

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03 (B) requires the School District to file annual financial reports in accordance with generally accepted accounting principles (GAAP). However, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare the financial statements according to generally accepted accounting principles to help provide the users with more meaningful financial statements.

FINDING NUMBER 2011-09

Noncompliance Citation

Ohio Rev. Code Section 5705.412 requires the treasurer, superintendent and president of the board of education to certify that adequate revenues will be available to maintain all personnel and programs for the current fiscal year and for a number of days in the succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year.

Term of certificate:

- The certificate attached to an appropriation measure covers only the fiscal year in which the appropriation measure is effective.
- The certification must be attached to all appropriation measures *except* for temporary measures when the temporary measure (1) does not appropriate more than 25 percent of the total resources available last year for any fund, (2) the measure will not be in effect for more than thirty days after the earliest date the school district could pass an annual appropriation measure, and (3) an amended certificate of available revenues has not been certified to the school district under Ohio Rev. Code §5705.36.
- The certificate attached to a qualifying contract covers the term of the contract.
- The certificate attached to a wage or salary schedule covers the term of the schedule.

**FINDING NUMBER 2011-09
(Continued)**

- A “*qualifying contract*” is “. . . any agreement for the expenditure of money under which aggregate payments from the funds included in the school district’s five-year projection under section 5705.391 of the revised code [see OCS Section 1-12] will exceed the lesser of the following amounts.
- \$500,000;
- 1% of the general fund’s total estimated revenues as certified in the school district’s most recent certificate of estimated resources under Ohio Rev. Code § 5705.36.

Ohio Revised Code Section 5705.412 (E) states that if the auditor of state determines that a school district has not complied with this section with respect to any qualifying contract or wage or salary schedule, the auditor of state shall notify the prosecuting attorney for the county... or other chief law officer of the school district

There were no 412 certificates signed by the Treasurer, Superintendent or Board President when the School District approved Fiscal Year 2011 Permanent Appropriations and the Upper Scioto Valley Teachers Association and Ohio Association of Public School Employees negotiated agreements. Both agreements included a wage or salary schedule.

Completion of the 412 certificate indicates that the School District has adequate revenues to cover appropriation measures and qualifying contracts, including negotiated agreements. The School District should implement controls, such as a reminder system, to help assure the completion of 412 certificates.

Pursuant to Ohio. Rev. Code Section 5705.412 (E), a referral will be made to the Hardin County Prosecutor.

FINDING NUMBER 2011-10

Noncompliance Citation / Ohio Ethics Commission (OEC) Referral

Ohio Rev. Code Section 3319.07(A) states that in all school districts and in service centers no teacher shall be employed unless such person is nominated by the Superintendent of such district or service center.

Ohio Revised Code Section 2921.42 (A)(1) provides that no public official shall knowingly “authorize or employ the authority or influence of” the official’s office to secure authorization of the employment of a family member. Ohio Revised Code Section 102.03 (D) and (E) prohibit public officials and employees from using or authorizing the use of their public positions to secure employment, or employment-related benefits, for their family members. **Ohio Ethics Commission Advisory Op. No. 2010-03** concluded that “public officials and employees cannot: (a) hire or use their positions to secure employment for their family members; (b) recommend or nominate their family members for public jobs with their own, or any other, public agencies; or (c) give to their family members, or solicit or use their positions to secure for their family members, raises, promotions, job advancements, overtime pay or assignments, favorable performance evaluations, or any other things of value related to their employment.”

The contract between the Board and Superintendent Rick Rolston for the term of 8/1/09 through 7/31/12 states that, the “Superintendent...shall have, under the direction of the Board, general supervision and management of all of the public schools and all the personnel in various personnel departments of the school system. ...The Superintendent shall direct and assign teachers and other employees of the schools under his supervision...shall organize reorganize, and arrange the administrative and supervisory staff, both instructional and non-instruction as best serves the Board, shall select all personnel for initial employment and make recommendations with respect to the re-employment, nonreemployment, layoff, and termination of existing employees.”

**FINDING NUMBER 2011-10
(Continued)**

On August 12, 2010, the Board of Education passed resolution 2010-187 approving the hiring of the Superintendent's son as an intervention specialist. Because all school district teachers must be nominated for employment by the Superintendent and pursuant to his contract the Superintendent shall select all personnel for initial employment, the School District's hiring of the Superintendent's son appears to be in violation of **Ohio Rev. Code Section 2921.42(A)1**, which prohibits the Superintendent from authorizing his authority knowingly authorize his authority to secure a public contract in which a member of his family has an interest.

This matter has been referred to the Ohio Ethics Commission.

OFFICIAL'S RESPONSE:

The current administration is aware of the issues reported in the prior year audit and have addressed those issues with the current board of education and staff. The current administration has, or will be, implementing the proper changes moving forward.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-01	Material Weakness / Noncompliance Ohio Rev. Code Section 3318.05(B) – Expended Maintenance Levy Fund 034 monies for unallowable purposes	Yes	
2010-02	Material Weakness / Noncompliance Ohio Rev. Code Section. 3318.08 – Expended Classroom Facilities Assistance Program Fund 010 monies for unallowable purposes	Yes	
2010-03	Finding for Recovery/Repaid Under Audit Ohio Rev. Code Section 117.28 — Jennifer Rolston	Yes	
2010-04	Finding for Recovery/Repaid Under Audit Ohio Rev. Code Section 117.28 — Karla Ritchey	Yes	
2010-05	Finding for Recovery Ohio Rev. Code Section 117.28 — Rick Rolston	Yes	
2010-06	Noncompliance / Significant Deficiency AG Op No 82-006 – Payments made to the Superintendent for days worked in excess of his contract and for unused sick and vacation leave were not formally approved by the Board	Yes	
2010-07	Ohio Rev. Code Section 2921.42(A)(1) and (4) – OEC Referral and STRS Referral	Yes	
2010-08	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – The District failed to file GAAP financial statements	No	Repeated as Finding 2011-08
2010-09	Ohio Rev. Code Section 3313.46(A) and (B) – The District failed to competitively bid construction projects and approve change orders.	Yes	
2010-10	Ohio Rev. Code Section 5705.41(D) – The District did not properly certify twenty-three percent of the expenditures tested	No	Partially Corrected; Repeated in separate letter to management.
2010-11	34 CFR Section 80.20(b)(7) / Material Weakness– Cash Management; the School District accumulated significant balances in its ARRA – State Fiscal Stabilization Fund – CFDA 84.394	No	Partially Corrected; Repeated in separate letter to management.
2010-12	34 CFR Section 300.202(a)(2) / Questioned Costs / Material Weakness in the amount of \$25,280 related to ARRA – Special Education Grants to States – CFDA 84.391	Yes	

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Upper Scioto Local School District
Hardin County
PO Box 305
McGuffey, Ohio 45859

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on October 25, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

April 30, 2012



Dave Yost • Auditor of State

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 5, 2012