



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Upper Scioto Valley Local School District
Hardin County
510 Courtright Street
McGuffey, Ohio 45859

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Upper Scioto Valley Local School District, Hardin County (the "School District"), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

The School District did not record additions or reductions to fixed assets in the General Fixed Assets Account Group and the Proprietary Fund Type at June 30, 2002, which are stated at \$3,850,481 and \$14,244, respectively, or the amount of Proprietary Fund Type depreciation expense for the year then ended. All fixed asset balances reported on the financial statements are as of June 30, 1998.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to audit additions or reductions to General Fixed Assets and Enterprise Fund assets and depreciation for Enterprise Fund assets, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Upper Scioto Valley Local School District, Hardin County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

November 19, 2002

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UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$858,784	\$228,097	\$208,009	\$5,626,223
Cash and Cash Equivalents with Fiscal Agent		7,066		
Receivables:				
Property Taxes	1,094,696	21,046	144,978	
Income Taxes	110,239			
Accounts	2,848	222		
Intergovernmental	62,267	13,702	8,387	978,049
Interfund Receivable	5,000			
Accrued Interest	590			
Inventory Held for Resale				
Materials and Supplies Inventory				
Prepaid Items	46,396	2,401		3,429
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	296,466			
Cash and Cash Equivalents with Escrow Agent				200,200
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>2,477,286</u>	<u>272,534</u>	<u>361,374</u>	<u>6,807,901</u>
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	19,979	4,035		2,296
Contracts Payable				1,163,584
Accrued Wages and Benefits	378,934	30,692		
Compensated Absences Payable	2,664			
Retainage Payable				19,896
Intergovernmental Payable	100,261	5,112		
Interfund Payable				
Deferred Revenue	821,529	28,144	106,530	978,049
Due to Students				
Accrued Interest Payable	617			
Payable from Restricted Assets:				
Retainage Payable				200,200
Capital Leases Payable				
Energy Conservation Notes Payable	30,000			
General Obligation Bonds Payable				
Total Liabilities	<u>1,353,984</u>	<u>67,983</u>	<u>106,530</u>	<u>2,364,025</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings				
Fund Balance:				
Reserved for Property Taxes	290,233	5,433	38,448	
Reserved for Capital Improvements	272,633			
Reserved for Budget Stabilization	23,833			
Reserved for Encumbrances	162,548	17,415	1,112	2,813,025
Unreserved	374,055	181,703	215,284	1,630,851
Total Fund Equity and Other Credits	<u>1,123,302</u>	<u>204,551</u>	<u>254,844</u>	<u>4,443,876</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$2,477,286</u>	<u>\$272,534</u>	<u>\$361,374</u>	<u>\$6,807,901</u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$26,126	\$32,996			\$6,980,235
				7,066
				1,260,720
				110,239
2,225				5,295
4,522				1,066,927
				5,000
				590
6,468				6,468
1,037				1,037
3,411				55,637
				296,466
				200,200
14,244		3,850,481		3,864,725
			253,732	253,732
			3,212,079	3,212,079
<u>58,033</u>	<u>32,996</u>	<u>3,850,481</u>	<u>3,465,811</u>	<u>17,326,416</u>
				\$26,310
				1,163,584
18,813				428,439
7,215			281,603	291,482
				19,896
12,988			40,651	159,012
5,000				5,000
				1,934,252
	30,096			30,096
				617
				200,200
			807,368	807,368
				30,000
			2,336,189	2,336,189
<u>44,016</u>	<u>30,096</u>		<u>3,465,811</u>	<u>7,432,445</u>
		3,850,481		3,850,481
14,017				14,017
				334,114
				272,633
				23,833
				2,994,100
	2,900			2,404,793
<u>14,017</u>	<u>2,900</u>	<u>3,850,481</u>		<u>9,893,971</u>
<u>\$58,033</u>	<u>\$32,996</u>	<u>\$3,850,481</u>	<u>\$3,465,811</u>	<u>\$17,326,416</u>

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types				Expendable Trust	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
Revenues:						
Property Taxes	\$1,276,605	\$23,030	\$158,148			\$1,457,783
Income Taxes	259,241					259,241
Intergovernmental	3,729,036	351,070	18,943	10,389,842		14,488,891
Interest	57,169			118,884		176,053
Tuition and Fees	7,788	11,166				18,954
Extracurricular Activities		56,299				56,299
Gifts and Donations	450	504			1,300	2,254
Rent	4,250			72,904		77,154
Miscellaneous	139,894	96	7,848			147,838
Total Revenues	<u>5,474,433</u>	<u>442,165</u>	<u>184,939</u>	<u>10,581,630</u>	<u>1,300</u>	<u>16,684,467</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,938,711	66,061		3,000		2,007,772
Special	417,624	215,684				633,308
Vocational	189,119			106		189,225
Other	378,581					378,581
Support Services:						
Pupils	96,340	60,295			250	156,885
Instructional Staff	188,006	36,627				224,633
Board of Education	51,774					51,774
Administration	559,707	24,871				584,578
Fiscal	263,116	636	4,351			268,103
Operation and Maintenance of Plant	377,285					377,285
Pupil Transportation	333,922	249				334,171
Central	52,885	2,416		10,500		65,801
Non-Instructional Services	329					329
Extracurricular Activities	99,639	50,277				149,916
Capital Outlay				10,266,411		10,266,411
Debt Service:						
Principal Retirement	37,812		2,253,000			2,290,812
Interest and Fiscal Charges	38,576		161,974			200,550
Total Expenditures	<u>5,023,426</u>	<u>457,116</u>	<u>2,419,325</u>	<u>10,280,017</u>	<u>250</u>	<u>18,180,134</u>
Excess of Revenues Over (Under) Expenditures	<u>451,007</u>	<u>(14,951)</u>	<u>(2,234,386)</u>	<u>301,613</u>	<u>1,050</u>	<u>(1,495,667)</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds			2,335,668			2,335,668
Operating Transfers In				650,000		650,000
Operating Transfers Out	(683,500)					(683,500)
Total Other Financing Sources (Uses)	<u>(683,500)</u>		<u>2,335,668</u>	<u>650,000</u>		<u>2,302,168</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(232,493)</u>	<u>(14,951)</u>	<u>101,282</u>	<u>951,613</u>	<u>1,050</u>	<u>806,501</u>
Fund Balances at Beginning of Year	1,355,795	219,502	153,562	3,492,263	1,850	5,222,972
Fund Balances End of Year	<u>\$1,123,302</u>	<u>\$204,551</u>	<u>\$254,844</u>	<u>\$4,443,876</u>	<u>\$2,900</u>	<u>\$6,029,473</u>

The notes to the financial statements are an integral part of this statement.

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UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,095,441	\$1,118,357	\$22,916	\$21,013	\$20,058	(\$955)
Income Taxes	253,750	255,077	1,327			
Intergovernmental	3,764,785	3,667,354	(97,431)	316,095	293,580	(22,515)
Interest	60,000	58,106	(1,894)			
Tuition and Fees	7,500	7,788	288	10,000	11,166	1,166
Extracurricular Activities				57,925	56,147	(1,778)
Gifts and Donations	450	450			504	504
Rent	4,050	4,250	200			
Miscellaneous	137,900	116,855	(21,045)	96	96	
Total Revenues	5,323,876	5,228,237	(95,639)	405,129	381,551	(23,578)
Expenditures:						
Current:						
Instruction:						
Regular	2,088,206	1,967,105	121,101	91,783	70,925	20,858
Special	452,880	443,484	9,396	266,627	213,861	52,766
Vocational	206,645	197,990	8,655			
Other	387,000	379,174	7,826			
Support Services:						
Pupils	129,820	112,521	17,299			
Instructional Staff	217,600	195,127	22,473	49,654	38,276	11,378
Board of Education	55,200	52,654	2,546			
Administration	627,750	582,721	45,029	12,276	10,742	1,534
Fiscal	296,800	274,782	22,018	2,091	1,579	512
Operation and Maintenance of Plant	494,300	430,346	63,954			
Pupil Transportation	405,350	371,416	33,934	750	650	100
Central	58,600	54,238	4,362	6,417	6,417	
Non-Instructional Services	450	329	121			
Extracurricular Activities	123,375	107,010	16,365	63,910	58,066	5,844
Capital Outlay	28,000	28,000				
Debt Service:						
Principal Retirement	55,000	55,000				
Interest and Fiscal Charges	5,400	4,459	941			
Total Expenditures	5,632,376	5,256,356	376,020	493,508	400,516	92,992
Excess of Revenues Over (Under) Expenditures	(308,500)	(28,119)	280,381	(88,379)	(18,965)	69,414
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds						
Refund of Prior Year Expenditures	26,630	10,505	(16,125)			
Other Financing Sources	4,274	4,274				
Other Financing Uses						
Operating Transfers In						
Operating Transfers Out	(685,300)	(683,500)	1,800			
Advances In	10,000	16,000	6,000		6,000	6,000
Advances Out	(8,000)	(11,000)	(3,000)		(6,000)	(6,000)
Total Other Financing Sources (Uses)	(652,396)	(663,721)	(11,325)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(960,896)	(691,840)	269,056	(88,379)	(18,965)	69,414
Fund Balances (Deficit) at Beginning of Year	1,471,991	1,471,991		209,970	209,970	
Prior Year Encumbrances Appropriated	188,388	188,388		14,583	14,583	
Fund Balances at End of Year	\$699,483	\$968,539	\$269,056	\$136,174	\$205,588	\$69,414

The notes to the financial statements are an integral part of this statement.

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$142,895	\$137,468	(\$5,427)			
20,300	10,556	(9,744)	12,345,463	11,389,842	(955,621)
			54,060	127,577	73,517
			71,750	72,904	1,154
<u>163,195</u>	<u>148,024</u>	<u>(15,171)</u>	<u>12,471,273</u>	<u>11,590,323</u>	<u>(880,950)</u>
			70,110	47,283	22,827
			2,428	8,445	(6,017)
			4,654	11,773	(7,119)
7,500	5,465	2,035	146,965	39,591	107,374
			50,000		50,000
			10,500	10,500	
			3,412,822	13,613,996	(10,201,174)
2,253,000	2,253,000				
80,000	157,202	(77,202)			
<u>2,340,500</u>	<u>2,415,667</u>	<u>(75,167)</u>	<u>3,697,479</u>	<u>13,731,588</u>	<u>(10,034,109)</u>
<u>(2,177,305)</u>	<u>(2,267,643)</u>	<u>(90,338)</u>	<u>8,773,794</u>	<u>(2,141,265)</u>	<u>(10,915,059)</u>
2,253,000	2,335,668	82,668			
	7,848	7,848			
	(5,121)	(5,121)			
			651,000	650,000	(1,000)
<u>2,253,000</u>	<u>2,338,395</u>	<u>85,395</u>	<u>651,000</u>	<u>650,000</u>	<u>(1,000)</u>
75,695	70,752	(4,943)	9,424,794	(1,491,265)	(10,916,059)
136,144	136,144		(8,011,807)	(8,011,807)	
			11,152,687	11,152,687	
<u>\$211,839</u>	<u>\$206,896</u>	<u>(\$4,943)</u>	<u>\$12,565,674</u>	<u>\$1,649,615</u>	<u>(\$10,916,059)</u>

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes				\$1,259,349	\$1,275,883	\$16,534
Income Taxes				253,750	255,077	1,327
Intergovernmental				16,446,643	15,361,332	(1,085,311)
Interest				114,060	185,683	71,623
Tuition and Fees				17,500	18,954	1,454
Extracurricular Activities				57,925	56,147	(1,778)
Gifts and Donations	1,250	1,300	50	1,700	2,254	554
Rent				75,800	77,154	1,354
Miscellaneous				137,996	116,951	(21,045)
Total Revenues	<u>1,250</u>	<u>1,300</u>	<u>50</u>	<u>18,364,723</u>	<u>17,349,435</u>	<u>(1,015,288)</u>
Expenditures:						
Current:						
Instruction:						
Regular				2,250,099	2,085,313	164,786
Special				719,507	657,345	62,162
Vocational				209,073	206,435	2,638
Other				387,000	379,174	7,826
Support Services:						
Pupils	1,250	250	1,000	131,070	112,771	18,299
Instructional Staff				271,908	245,176	26,732
Board of Education				55,200	52,654	2,546
Administration				640,026	593,463	46,563
Fiscal				306,391	281,826	24,565
Operation and Maintenance of Plant				641,265	469,937	171,328
Pupil Transportation				456,100	372,066	84,034
Central				75,517	71,155	4,362
Non-Instructional Services						
Extracurricular Activities				450	329	121
Capital Outlay				187,285	165,076	22,209
Debt Service:				3,440,822	13,641,996	(10,201,174)
Principal Retirement				2,308,000	2,308,000	
Interest and Fiscal Charges				85,400	161,661	(76,261)
Total Expenditures	<u>1,250</u>	<u>250</u>	<u>1,000</u>	<u>12,165,113</u>	<u>21,804,377</u>	<u>(9,639,264)</u>
Excess of Revenues Over (Under) Expenditures		<u>1,050</u>	<u>1,050</u>	<u>6,199,610</u>	<u>(4,454,942)</u>	<u>(10,654,552)</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds				2,253,000	2,335,668	82,668
Refund of Prior Year Expenditures				26,630	10,505	(16,125)
Other Financing Sources				4,274	12,122	7,848
Other Financing Uses					(5,121)	(5,121)
Operating Transfers In				651,000	650,000	(1,000)
Operating Transfers Out				(685,300)	(683,500)	1,800
Advances In				10,000	22,000	12,000
Advances Out				(8,000)	(17,000)	(9,000)
Total Other Financing Sources (Uses)				<u>2,251,604</u>	<u>2,324,674</u>	<u>73,070</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		<u>1,050</u>	<u>1,050</u>	<u>8,451,214</u>	<u>(2,130,268)</u>	<u>(10,581,482)</u>
Fund Balances (Deficit) at Beginning of Year	1,850	1,850		(6,191,852)	(6,191,852)	
Prior Year Encumbrances Appropriated				11,355,658	11,355,658	
Fund Balances at End of Year	<u>\$1,850</u>	<u>\$2,900</u>	<u>\$1,050</u>	<u>\$13,615,020</u>	<u>\$3,033,538</u>	<u>(\$10,581,482)</u>

The notes to the financial statements are an integral part of this statement.

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

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002**

Operating Revenues:	
Sales	<u>\$131,535</u>
Operating Expenses:	
Salaries	79,758
Fringe Benefits	51,343
Purchased Services	490
Materials and Supplies	7,603
Cost of Sales	98,962
Total Operating Expenses	<u>238,156</u>
Operating Loss	<u>(106,621)</u>
Non-Operating Revenues:	
Federal Donated Commodities	15,772
Operating Grants	52,893
Interest	11
Total Non-Operating Revenues	<u>68,676</u>
Loss Before Operating Transfers	(37,945)
Operating Transfers In	<u>33,500</u>
Net Loss	(4,445)
Retained Earnings at Beginning of Year	<u>18,462</u>
Retained Earnings at End of Year	<u><u>\$14,017</u></u>

The notes to the financial statements are an integral part of this statement.

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

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$148,425	\$133,024	(\$15,401)
Operating Grants	60,600	55,411	(5,189)
Interest	60	11	(49)
Total Revenues	<u>209,085</u>	<u>188,446</u>	<u>(20,639)</u>
Expenses:			
Salaries	83,600	79,691	3,909
Fringe Benefits	47,323	46,212	1,111
Purchased Services	1,550	499	1,051
Materials and Supplies	119,977	99,750	20,227
Total Expenses	<u>252,450</u>	<u>226,152</u>	<u>26,298</u>
Excess of Revenues (Under) Expenses	(43,365)	(37,706)	5,659
Operating Transfers In	27,500	33,500	6,000
Advances In	5,000	5,000	
Advances Out	(10,000)	(10,000)	
Excess of Revenues Under Expenses, Transfers, and Advances	(20,865)	(9,206)	11,659
Fund Balances at Beginning of Year	23,200	23,200	
Prior Year Encumbrances Appropriated	3,264	3,264	
Fund Balances at End of Year	<u><u>\$5,599</u></u>	<u><u>\$17,258</u></u>	<u><u>\$11,659</u></u>

The notes to the financial statements are an integral part of this statement.

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

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002**

Increase (Decrease) in Cash and Cash Equivalents

Cash flows from operating activities:

Cash Received from Customers	\$133,024
Cash Payments for Salaries	(79,691)
Cash Payments for Fringe Benefits	(46,212)
Cash Payments for Goods and Services	(91,381)
Net Cash Used for Operating Activities	(84,260)

Cash flows from noncapital financing activities:

Cash Received from Operating Grants	55,411
Cash Received from Operating Transfers In	33,500
Cash Received from Advances In	5,000
Cash Payments for Advances Out	(10,000)
Net Cash Provided by Noncapital Financing Activities	83,911

Cash flows from investing activities:

Interest	11
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Net Decrease in Cash and Cash Equivalents	(338)
Cash and Cash Equivalents at Beginning of Year	26,464
Cash and Cash Equivalents at End of Year	\$26,126

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	(\$106,621)
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Adjustments to Reconcile Operating Loss to Net

Cash Used for Operating Activities:

Donated Commodities Received During Year	15,772
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	1,489
Increase in Inventory Held for Resale	(204)
Decrease in Materials and Supplies Inventory	514
Increase in Prepaid Items	(853)
Decrease in Accounts Payable	(407)
Increase in Accrued Wages and Benefits	2,134
Decrease in Compensated Absences Payable	(293)
Increase in Intergovernmental Payable	4,209
Net Cash Used for Operating Activities	(\$84,260)

Non-Cash Transactions

During fiscal year 2002, the School District received donated commodities, in the amount of \$15,772.

The notes to the financial statements are an integral part of this statement.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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 and 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 McGuffey and Alger, all of Marion and Roundhead Townships, and portions of Cessna, Lynn, and McDonald Townships. The School District is the 535th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-eight classified employees, fifty-seven certified teaching personnel, and four administrative employees who provide services to seven hundred sixty-four students and other community members. The School District currently operates three buildings.

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in five jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the West Central Ohio Special Education Regional Resource Center, Western Ohio Computer Organization, Ohio Hi-Point Joint Vocational School, Hardin County Schools Consortium Local Professional Development Committee, West Central Regional Professional Development Center, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, Ohio School Boards Association Workers' Compensation Group Rating Plan, and Alger Public Library. These organizations are presented in Notes 21, 22, and 23 to the general-purpose financial statements.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Upper Scioto Valley Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

2. Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds

Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. For the School District, these include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the enterprise funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are deemed both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and rent.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is the special cost center level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The Title VI-B special revenue fund is a flow-through grant in which the Hardin County Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Hardin County Budget Commission for rate determination.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated on the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were adopted by the Board.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds and funds held by the Hardin County Educational Service Center, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for the enterprise funds.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

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 School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents held for the School District by the Hardin County Educational Service Center are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

Cash and cash equivalents that are held with an escrow agent are recorded on the combined balance sheet as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2002, investments included mutual funds, federal agency securities, and STAR Ohio. At year-end the School District only had investments in STAR Ohio. Investments are reported at fair value, which is based on current share price for mutual funds and quoted market price for federal agency securities. 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 share price, which is the price the investment could be sold for on June 30, 2002.

The School District allocates interest according to Board policy. Interest revenue credited to the General Fund during fiscal year 2002 was \$57,169, which included \$17,056 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

E. Inventory

Inventory in the enterprise funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory consists of donated and purchased food and is expensed when used.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements, to create a reserve for budget stabilization, and for amounts withheld from contractor's payments as retainage.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables".

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service with the School District.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. In general, payments made more than sixty days after fiscal year end are not considered to have been paid using current available expendable resources. Capital leases and bonds are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate fund.

L. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies previously required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Use of Estimates

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Total Columns on General-purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2002, the Food Service enterprise fund had deficit retained earnings of \$5,488 due to operating expenses exceeding sales and state and federal subsidies in the current year.

B. Compliance

During the year ended June 30, 2002 the School District did not certify all expenditures as required by Ohio Rev. Code Section 5705.41(D).

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the enterprise funds (GAAP basis).
- d. Although not part of the appropriated budget, the Title VI-B special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$232,493)	(\$14,951)	\$101,282	\$951,613
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2001, Received in Cash FY 2002	223,081	17,513	17,768	1,004,243
Accrued FY 2002, Not Yet Received in Cash	(449,111)	(6,826)	(46,835)	
Expenditure Accruals:				
Accrued FY 2001, Paid in Cash FY 2002	(489,779)	(35,893)	(351)	(671,138)
Accrued FY 2002, Not Yet Paid in Cash	502,455	39,839		1,185,776
Cash Adjustments:				
Unrecorded Activity FY 2001	1,158			4,450
Unrecorded Activity FY 2002	(545)	(2,475)		
Prepaid Items	(10,440)	(922)		10,400
Advances In	16,000	6,000		
Advances Out	(11,000)	(6,000)		
Note Principal Retirement	(55,000)			
Excess of Revenues Under Expenditures for Nonbudgeted Funds		4,784		
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(186,166)	(20,034)	(1,112)	(3,976,609)
Budget Basis	(\$691,840)	(\$18,965)	\$70,752	(\$1,491,265)

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses Enterprise Funds	
GAAP Basis	(\$4,445)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2001, Received in Cash FY 2002	10,754
Accrued FY 2002, Not Yet Received in Cash	(6,747)
Expense Accruals:	
Accrued FY 2001, Paid in Cash FY 2002	(33,373)
Accrued FY 2002, Not Yet Paid in Cash	39,016
Inventory Held for Resale	(204)
Materials and Supplies Inventory	514
Prepaid Items	(853)
Advances In	5,000
Advance Out	(10,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	<u>(8,868)</u>
Budget Basis	<u><u>(\$9,206)</u></u>

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 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.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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.

Interim monies may be deposited or invested in the following securities:

- a. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAR Ohio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

The School District had \$7,066 in cash and cash equivalents held by the Hardin County Educational Service Center which is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$7,128,092 and the bank balance was \$7,661,326. Of the bank balance, \$400,200 was covered by federal depository insurance and \$7,461,126 was uninsured and uncollateralized. Although all State 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.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2002, the fair value of funds on deposit with STAR Ohio was \$348,809.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on the criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$7,483,967	\$0
Cash and Cash Equivalents with Educational Service Center	(7,066)	0
Investments:		
STAR Ohio	(348,809)	348,809
GASB Statement No. 3	\$7,128,092	\$348,809

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of January 1, 2001, 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 real and tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Auglaize, Hardin, 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 Counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$290,233 in the General Fund, \$5,433 in the Maintenance Levy special revenue fund, and \$38,448 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2001, was \$131,985 in the General Fund, \$2,461 in the Maintenance Levy special revenue fund, and \$17,768 in the Bond Retirement debt service fund.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

6. PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$39,846,340	83.02%	\$41,002,090	83.98%
Industrial/Commercial	1,896,020	3.95	1,941,220	3.98
Public Utility	4,512,510	9.40	4,000,820	8.20
Tangible Personal	1,743,559	3.63	1,874,182	3.84
Total Assessed Value	<u>\$47,998,429</u>	<u>100.00%</u>	<u>\$48,818,312</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.80		\$35.60	

7. INCOME TAXES

The School District levies a voted tax of 0.5 percent for general operations on the income of residents and of 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 revenue is credited to the General Fund.

8. RECEIVABLES

Receivables at June 30, 2002, consisted of both property and income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental, interfund, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, the current year guarantee of federal funds, and the School District's policy on collecting student fees. Accounts receivable at June 30 were \$5,295.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Homestead and Rollback	\$61,682
Spencerville LSD	500
State of Ohio	85
Total General Fund	<u>62,267</u>
Special Revenue Funds	
Classroom Facilities	\$1,216
Eisenhower	465
Title I	12,002
Title VI-R	19
Total Special Revenue Funds	<u>13,702</u>

(continued)

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

8. RECEIVABLES (Continued)

	Amounts
Debt Service Fund	
Bond Retirement	8,387
Capital Projects Funds	
Ohio School Facilities	974,241
Vocational Equipment	3,808
Total Capital Projects Funds	978,049
Enterprise Fund	
Food Service	4,522
Total Intergovernmental Receivables	\$1,066,927

The \$974,241 receivable from Ohio School Facilities is for resources provided by the State for construction of a new building.

9. FIXED ASSETS

The School District did not record any additions, reductions, or depreciation for enterprise fund fixed assets for the fiscal years ended June 30, 2002, 2001, 2000, and 1999. The following amounts represent balances at June 30, 1998.

Furniture and Equipment	\$76,295
Less Accumulated Depreciation	(62,051)
Net Fixed Assets	\$14,244

The School District did not record any additions or reductions to general fixed assets for the fiscal years ended June 30, 2002, 2001, 2000, and 1999. The following amounts represent balances at June 30, 1998.

Asset Category	Balance at 6/30/1998
Buildings and Improvements	\$2,338,495
Furniture, Fixtures, and Equipment	1,195,532
Vehicles	316,454
Total	\$3,850,481

10. INTERFUND ASSETS/LIABILITIES

As of June 30, 2002, the General Fund had an interfund receivable and the Food Service enterprise fund had an interfund payable, in the amount of \$5,000.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

11. RISK MANAGEMENT

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 2002, the School District contracted with various companies for the following insurance coverage:

Building and Contents - Replacement Cost (\$500 deductible)	\$15,445,006
Musical Instruments (\$100 deductible)	66,402
Automobile Liability (\$250 deductible)	1,000,000
Commercial Umbrella	3,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Builders' Risk (\$2,500 deductible)	13,000,000

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

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

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended 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 Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Plan.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

12. SIGNIFICANT CONTRACTUAL COMMITMENTS

At June 30, 2002, the School District had the following significant contractual commitments:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Balance</u>
McDonald, Cassell, & Bassett	New School K - 12	\$900,200	\$84,384
Vaughn Industries	New School K - 12	3,031,421	404,015
Peterson Construction	New School K - 12	6,698,606	1,002,850
Slagle Mechanical	New School K - 12	591,843	30,950
Exterior Systems	New School K - 12	535,937	27,419
George Igle & Co.	New School K - 12	1,369,618	304,554
Central Fire Protection	New School K - 12	213,877	35,728
Esquire Data Corporation	New School K - 12	746,609	640,593
Louis R. Polster Co.	New School K - 12	200,795	200,795
Howard/Runkle Landscaping Assoc.	New School K - 12	75,325	75,325
B & B Wrecking & Excavating	New School K - 12	297,600	297,600

13. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$220,856, \$211,081, and \$118,780, respectively; 81 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$41,233, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$38,104, \$26,796, and \$31,717, respectively; 44 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$21,261, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2002, three members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$104,616.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$73,971 for fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

15. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is 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 the classified employees, superintendent, and 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 ten days for classified employees and two hundred thirty-six days for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of fifty-two days for classified employees and sixty days for certified 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 monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

16. NOTES PAYABLE

During fiscal year 1993, the School District issued \$435,000 in energy conservation notes for providing energy conservation measures for the School District. The notes were issued under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372 for a ten year period, with final maturity during fiscal year 2003. During fiscal year 2002, principal, in the amount of \$55,000, was retired from the General Fund. The outstanding balance at June 30, 2002, was \$30,000.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

16. NOTES PAYABLE (Continued)

Principal and interest requirements to retire the notes at June 30, 2002, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$30,000	\$923	\$30,923

17. CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for facilities and equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures on the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group, in the amount of \$950,551. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 were \$37,812 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	General Long-Term Obligations Account Group
2003	73,158
2004	130,000
2005	34,000
2006	34,000
2007	34,000
2008 - 2012	170,000
2013 - 2017	170,000
2018 - 2041	799,000
Total	1,444,158
Less Amount Representing Interest	(636,790)
Present Value of Net Minimum Lease Payments	\$807,368

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

18. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Interest Rate</u>	<u>Balance at 6/30/2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2002</u>
<u>General Long-Term Obligations</u>					
Notes Payable	3.52	\$2,253,000		\$2,253,000	
<u>General Obligation Bonds</u>					
2002 School Improvement					
Serial and Term	2.10-5.25%		2,210,000		2,210,000
Capital Appreciation	16.78		126,189		126,189
Total General Obligation Bonds			2,336,189		2,336,189
<u>Other Long-Term Obligations</u>					
Compensated Absences Payable		288,467		6,864	281,603
Intergovernmental Payable		75,848	40,651	75,848	40,651
Capital Leases Payable		845,180		37,812	807,368
Total Other Long-Term Obligations		1,209,495	40,651	120,524	1,129,622
Total General Long-Term Obligations		\$3,462,495	\$2,376,840	\$2,373,524	\$3,465,811

Notes Payable - On June 7, 2001, the School District issued \$2,253,000 in general obligation notes to retire notes previously issued for the construction of a new school facility. The notes matured on June 6, 2002, and had an interest rate of 3.52 percent.

2002 School Improvement General Obligation Bonds - On May 1, 2002, the School District issued \$2,249,999 in voted general obligation bonds for improvements to buildings and structures. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,050,000, \$1,160,000, and \$39,999, respectively. The bonds are being retired from the Bond Retirement debt service fund. The capital appreciation bonds were issued at a premium of \$85,669.

The term bonds maturing on December 1, 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

Unless previously redeemed, the remaining principal amount of \$115,000 will mature at stated maturity on December 1, 2025.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

The serial bonds maturing after 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 the principal amount redeemed) plus accrued interest to the redemption date as follows:

Redemption Dates (Dates Inclusive)	Redemption Prices
June 1, 2012 and thereafter	100%

The capital appreciation bonds will mature in fiscal years 2012 and 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$200,000. For fiscal year 2002, \$521 was accreted for a total amount of \$126,189.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid. The capital leases will be paid from the General Fund.

The School District's overall debt margin was \$2,366,189 with an unvoted debt margin of \$48,818 at June 30, 2002.

Principal and interest requirements to retire, at maturity, general obligation bonds outstanding at June 30, 2002, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds	Interest	Total
2003	\$0	\$58,861	\$58,861
2004	70,000	100,905	170,905
2005	75,000	99,435	174,435
2006	75,000	97,598	172,598
2007	75,000	95,422	170,422
2008 - 2012	450,000	433,298	883,298
2013 - 2017	505,000	370,587	875,587
2018 - 2022	605,000	243,600	848,600
2023 - 2026	555,000	71,137	626,137
	\$2,410,000	\$1,570,843	\$3,980,843

During fiscal year 2001, the School District was awarded \$15,080,920 for improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State paid for a portion of the estimated project costs. Additionally, the School District was required to issue bonds, and levy a property tax for the payment of those bonds, for the School District's portion of construction and maintenance costs. Any funds provided by the State Classroom Facilities Commission, in excess of construction costs, shall be returned to the Commission. Any funds remaining from the issuance of the bonds, in excess of construction costs, must be used solely for maintaining the constructed facilities. The constructed facilities must be used for school purposes as long as the Commission retains any interest in the project, or for a period of twenty-three years, whichever is less.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

19. SET ASIDE REQUIREMENTS

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 year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2002, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2001	(\$31,224)	\$214,105	\$23,833
Current Year Set Aside Requirement	92,122	92,122	
Qualifying Expenditures	(74,636)	(33,594)	
Amount Carried Forward to Fiscal Year 2003	(13,738)	272,633	23,833
Set Aside Reserve Balance June 30, 2002	<u>\$0</u>	<u>\$272,633</u>	<u>\$23,833</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for set asides at the end of the fiscal year was \$296,466.

20. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total
Operating Revenues	\$114,589	\$16,946	\$131,535
Operating Income (Loss)	(109,714)	3,093	(106,621)
Federal Donated Commodities	15,772		15,772
Operating Grants	52,893		52,893
Operating Transfers In	33,500		33,500
Net Income (Loss)	(7,538)	3,093	(4,445)
Net Working Capital	(12,517)	19,505	6,988
Total Assets	38,528	19,505	58,033
Total Equity	(5,488)	19,505	14,017
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	2,040	6,828	8,868

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

21. JOINTLY-GOVERNED ORGANIZATIONS

A. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly-governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1211 West Lima Street, Suite A, Kenton, Ohio 43326.

B. 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 2002, the School District paid \$40,824 to WOCO for various services. Financial information can be obtained from Sonny Ivey, who serves as Director, 129 East Court Street, Sidney, Ohio 45365.

C. 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 the School District is limited to its representation on the Board. The Board is 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, 2280 State Route 540, Bellefontaine, Ohio 43311.

D. 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 Krista Hart, Hardin County Educational Service Center, 1211 West Lima Street, Suite A, Kenton, Ohio 43326.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

21. JOINTLY-GOVERNED ORGANIZATIONS (Continued)

E. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (Center) is a jointly-governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

22. INSURANCE POOLS

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

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (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 acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Rick Combs, who serves as Director, 9525 T.R. 50, Dola, Ohio 45835.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The Plans'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 participants pay an enrollment fee to the Plan to cover the costs of administering the program.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

23. RELATED ORGANIZATION

Alger Public Library

The Alger Public 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 operational 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, 100 West Wagoner Street, Alger, Ohio 45812.

24. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Supreme Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

25. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)

25. CONTINGENCIES (Continued)

B. Litigation

There are currently no matters in litigation with the School District as defendant.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$18,553		\$17,960
National School Lunch Program	LL-P4	10.555	52,491		52,491	
Special Milk Program	02-PU	10.556	257		257	
Total Department of Agriculture - Nutrition Cluster			52,748	18,553	52,748	17,960
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title 1, Part A, ESEA	C1-S1-99 C	84.010			14,379	
Title 1, Part A, ESEA	C1-S1-01	84.010	6,187		47,208	
Title 1, Part A, ESEA	C1-S1-02	84.010	182,691		151,012	
Total Title 1, Part A, ESEA			188,878		212,599	
Title VI, Innovative Education Program Strategies	C2-S1-00 C	84.298			543	
Title VI, Innovative Education Program Strategies	C2-S1-01 C	84.298			2,744	
Title VI, Innovative Education Program Strategies	C2-S1-02	84.298	4,012		2,967	
Total Title VI, Innovative Education Program Strategies			4,012		6,254	
Eisenhower Professional Development State Grant, Title II, Part B	MS-S1-01 C	84.281			2,147	
Eisenhower Professional Development State Grant, Title II, Part B	MS-S1-02	84.281	4,188		1,950	
Total Eisenhower Professional Development State Grant, Title II, Part B			4,188		4,097	
Safe and Drug-Free Schools	DR-S1-01C	84.186			1,307	
Safe and Drug-Free Schools	DR-S1-02	84.186	3,044		1,695	
Total Safe and Drug-Free Schools			3,044		3,002	
Goals 2000 Subsidy Grant	G2-S2-01 C	84.276			13,594	
Class Size Reduction	CR-S1-01	84.340	8,840		11,973	
Class Size Reduction	CR-S1-02	84.340	24,855		13,114	
Total Class Size Reduction			33,695		25,087	
Total Department of Education			233,817		264,633	
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$286,565</u>	<u>\$18,553</u>	<u>\$317,381</u>	<u>\$17,960</u>

The accompanying notes to this schedule are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A -- BASIS OF ACCOUNTING

The accompanying Schedule of Federal Awards Expenditures (the "Schedule") summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting. Revenues are recognized when received rather than when earned, and expenditures are recorded when paid rather than when the obligation is incurred.

NOTE B -- NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C -- FEDERAL AWARDS EXPENDITURES ADMINISTERED BY OTHER GOVERNMENTS

The School District benefitted from other federal award expenditure programs which were passed through the State Department of Education to the Hardin County Educational Service Center. These programs are administered by the Hardin County Educational Service Center and are audited according to the Single Audit Act (A-133) at that level. The financial activity of these federal award expenditures programs is not reflected in the accompanying Schedule of Federal Award Expenditures.

FEDERAL GRANTOR/ Pass Through Grantor/ Program Titles	Federal CFDA Number	Amount of Allotment
UNITED STATES DEPARTMENT OF EDUCATION		
Passed through Ohio Department of Education - to Hardin County Educational Service Center		
Special Education Grants to States	84.027	\$69,626

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Upper Scioto Valley Local School District
Hardin County
510 Courtright Street
McGuffey, Ohio 45859

To the Board of Education:

We have audited the financial statements of the Upper Scioto Valley Local School District, Hardin County (the "School District"), as of and for the year ended June 30, 2002, and have issued our report thereon dated November 19, 2002, which was qualified for our inability to obtain sufficient evidential matter supporting the assets recorded in General Fixed Assets Account Group and the Proprietary Fund Type or the amount of Proprietary Fund Type depreciation. Except as discussed in the first sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10233-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated November 19, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-10233-002.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do consider the reportable condition described above as item 2002-10233-002 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated November 19, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

November 19, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Upper Scioto Valley Local School District
Hardin County
510 Courtright Street
McGuffey, Ohio 45859

To the Board of Education:

Compliance

We have audited the compliance of the Upper Scioto Valley Local School District, Hardin County (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 are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Jim Petro
Auditor of State

November 19, 2002

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

**SCHEDULE OF FINDINGS
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1, Part A, ESEA: CFDA #84.010
<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 2002-10233-01

Non-Compliance

Ohio Rev. Code Section 5705.41 (D) states that no order or contract involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1000 for school districts may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Seventeen percent of the transactions tested were not certified by the Treasurer prior to making orders for the expenditure of School District funds. In addition, neither of the two exceptions above was utilized for these transactions. Procedures should be implemented not only to help ensure compliance with this requirement, but to prevent the unauthorized obligation of School District funds.

FINDING NUMBER 2002-10233-02

Material Weakness

Fixed Asset Activity

Fixed asset records should be maintained in a manner that easily identifies additions, deletions, and depreciation expense for fixed assets. The School District did not maintain these records in a manner that allowed for the recording of additions, deletions, and depreciation expense to their fixed assets for fiscal year 2002. As a result, it could not be determined if the fixed asset balances at June 30, 2002, were accurately stated, which resulted in an opinion qualification on the District's financial statements.

The School District should perform a physical inventory of all fixed assets. To facilitate the current needs of the School District and to help provide the necessary information for the implementation of GASB 34 in subsequent years, the physical inventory should include but not be limited to the following information: specific asset identification (tag number), actual or estimated cost, year of acquisition, useful life, salvage value, location, classification by function that is currently using the asset, classification by major asset class and between depreciable and non-depreciable assets, and accumulated depreciation at the beginning of the year. The accounting transaction records should then be reviewed between the time of the physical inventory and year-end reporting to allow for any necessary adjustments to the reported balances as a result of additions and deletions.

3. FINDINGS FOR FEDERAL AWARDS

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10233-01	ORC 5705.36, amending certificate of estimated resources	Yes	
2001-10233-02	ORC 5705.41(D) Prior certification	No	Not corrected. Repeated as Finding Number 2002-10233- 001
2001-10233-03	26 USC, Section 3402, Internal Revenue Code, remittance of federal withholdings	Yes	
2001-10233-04	Student Activity Records	Yes	
2001-10233-05	Monitoring of Budget vs. Actual Activity	No	Partially corrected. Repeat as management letter comment.
2001-10233-06	Bank-to-Book Reconciliations	Yes	
2001-10233-07	Fixed Asset Activity	No	Not corrected. Repeated as Finding Number 2002-10233- 002.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
DECEMBER 23, 2002**