



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, Ohio (the District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the accounting basis Note 2 describes.

As stated in Note 3, the District restated the June 30, 2011 General Fund budgetary balance.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Dave Yost
Auditor of State

January 8, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

The management's discussion and analysis of the Upper Scioto Valley Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2012, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- The total net cash assets of the District increased \$391,927 or 46.20% from fiscal year 2011.
- General cash receipts accounted for \$8,305,061 or 86.26% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,322,619 or 13.74% of total governmental activities cash receipts.
- The District had \$9,235,753 in cash disbursements related to governmental activities; \$1,322,619 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily grants and entitlements not restricted to specific programs) of \$8,305,061 were adequate to provide for these programs.
- The District's major funds are the general fund, bond retirement fund and permanent improvement capital projects fund. The general fund, the District's largest major fund, had cash receipts and other financing sources of \$6,734,508 in 2012. The cash disbursements and other financing uses of the general fund, totaled \$6,405,339 in 2012. The general fund's cash balance increased \$329,169 or 511.04% from 2011 to 2012.
- The bond retirement fund, a District major fund, had cash receipts and other financing sources of \$1,904,207 in 2012, which includes \$1,656,569 of bond proceeds and the associated premiums. The bond retirement fund had cash disbursements of \$1,857,173 in 2012, which includes a \$1,604,670 payment to refunded bond escrow agent. The bond retirement fund cash balance increased \$47,034 or 14.76% from 2011 to 2012.
- The permanent improvement capital projects fund, a District major fund, had cash receipts of \$250,122 in 2012. The permanent improvement capital projects fund had cash disbursements of \$133,109 in 2012. The permanent improvement capital projects fund cash balance increased \$117,013 or 49.22% from 2011 to 2012.

Using this Basic Financial Statements (BFS)

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

The statement of net assets - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, there are three major governmental funds. The general fund is the largest major fund.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)

Reporting the District as a Whole

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

The statement of net assets - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2012?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

The statement of net assets - cash basis and statement of activities - cash basis can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement and permanent improvement capital projects fund. The analysis of the District's major governmental funds begins on page 9.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on pages 17 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund. Only the cash held at year end for these funds is reported on page 18-19.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-44 of this report.

Government-Wide Financial Analysis

Recall that the statement of net assets - cash basis provides the perspective of the District as a whole. The table below provides a summary of the District's net cash assets at June 30, 2012 and June 30, 2011.

	Net Cash Assets	
	Governmental Activities 2012	Governmental Activities 2011
Assets:		
Equity in pooled cash and cash equivalents	\$1,240,325	\$848,398
Total assets	<u>1,240,325</u>	<u>848,398</u>
Net Cash Assets:		
Restricted	728,385	784,129
Unrestricted	511,940	64,269
Total net cash assets	<u>\$1,240,325</u>	<u>\$848,398</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

The total net cash assets of the District increased \$391,927 which represents a 46.20% increase from fiscal year 2011. The increase in net assets is due to slightly increased tax revenues and investment earnings and an overall increase in receipts that exceeded the increase in disbursements in fiscal year 2012.

The balance of government-wide unrestricted net cash assets of \$511,940 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal year 2012 and 2011.

Change in Net Cash Assets		
	Governmental Activities 2012	Governmental Activities 2011
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 406,273	\$ 561,254
Operating grants and contributions	909,539	1,206,558
Capital grants and contributions	6,807	17,306
Total program cash receipts	<u>1,322,619</u>	<u>1,785,118</u>
General cash receipts:		
Property taxes	1,762,355	1,579,516
Income taxes	342,433	312,702
Unrestricted grants and entitlements	4,286,880	4,125,103
Investment earnings	232,989	111,178
Other	23,835	10,488
Sale of refunding bonds	1,564,999	
Premium on sale of refunding bonds	91,570	
Total general cash receipts	<u>8,305,061</u>	<u>6,138,987</u>
Total cash receipts	<u>9,627,680</u>	<u>7,924,105</u>
Cash Disbursements:		
Instruction:		
Regular	3,571,190	3,975,213
Special	454,882	504,376
Vocational	22,013	97,852
Other	25,290	305,850
Support services:		
Pupil	97,726	115,063
Instructional staff	138,961	371,674
Board of education	10,128	13,626
Administration	749,097	886,326
Fiscal	260,465	333,599
Central	49,693	45,917
Operations and maintenance	798,664	809,035
Pupil transportation	489,513	386,074
Central	121,093	134,343

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

**Change in Net Cash Assets
(Continued)**

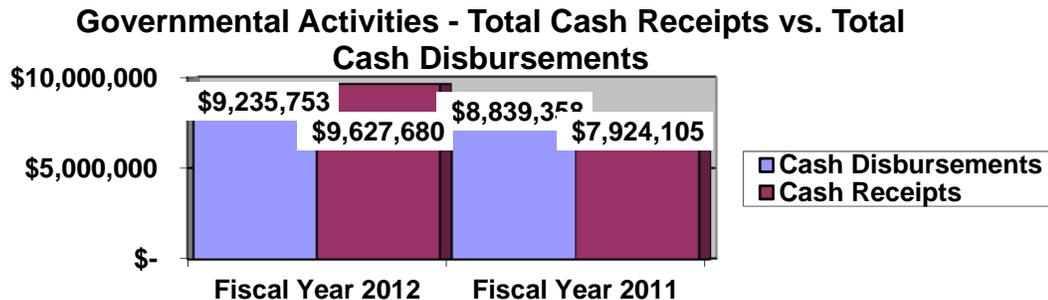
	Governmental Activities 2012	Governmental Activities 2011
Operation of non-instructional services:		
Food service operations	336,260	341,000
Other non-instructional services	533	143
Extracurricular	228,700	228,802
Facilities acquisition and construction		26,462
Debt service:		
Principal retirement	145,000	140,000
Interest and fiscal charges	79,976	124,003
Bond issuance costs	51,899	
Payment to refunded bond escrow agent	1,604,670	
Total cash disbursements	9,235,753	8,839,358
Change in net cash assets	391,927	(915,253)
Net cash assets at beginning of year	848,398	1,763,651
Net cash assets at end of year	\$1,240,325	\$848,398

Governmental Activities

Governmental cash assets increased by \$391,927 in 2012 from 2011. Total governmental disbursements of \$9,235,753 were offset by program receipts of \$1,322,619 and general receipts of \$8,305,061. Program receipts supported 14.32 of the total governmental disbursements. The largest governmental disbursements were instructional expenditures which totaled \$4,073,375 or 44.10% of total governmental expenditures.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 66.39% of total governmental receipts. Real estate property is reappraised every six years.

The graph below shows the District governmental activities cash receipts and cash disbursements for fiscal year 2012 and 2011.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

The table below shows the total cost of services and the net cost of services (e.g. the cost of those services supported by general revenues of the District) for fiscal year 2012 and 2011:

Governmental Activities				
	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Cash disbursements:				
Instruction:				
Regular	\$3,571,190	\$3,151,518	\$3,975,213	\$3,451,245
Special	454,882	129,351	504,376	51,617
Vocational	22,013	(2,615)	97,852	69,772
Other	25,290	20,104	305,850	37,006
Support services:				
Pupil	97,726	55,260	115,063	77,047
Instructional staff	138,961	137,439	371,674	333,627
Board of education	10,128	10,128	13,626	13,626
Administration	749,097	715,982	886,326	886,326
Fiscal	260,465	260,465	333,599	333,599
Business	49,693	49,693	45,917	45,917
Operation and maintenance of plant	798,664	735,116	809,035	791,404
Pupil transportation	489,513	475,531	386,074	374,086
Central	121,093	115,693	134,343	122,518
Operation of non-instructional services:				
Food service operations	336,260	26,338	341,000	2,330
Operation of non-instruction	533	533	143	143
Extracurricular	228,700	151,053	228,802	173,512
Facilities acquisition and construction			26,462	26,462
Debt service:				
Principal retirement	145,000	145,000	140,000	140,000
Interest and fiscal charges	79,976	79,976	124,003	124,003
Bond issuance costs	51,899	51,899		
Payment to refunded bond escrow	1,604,670	1,604,670		
Total	\$9,235,753	\$7,913,134	\$8,839,358	\$7,054,240

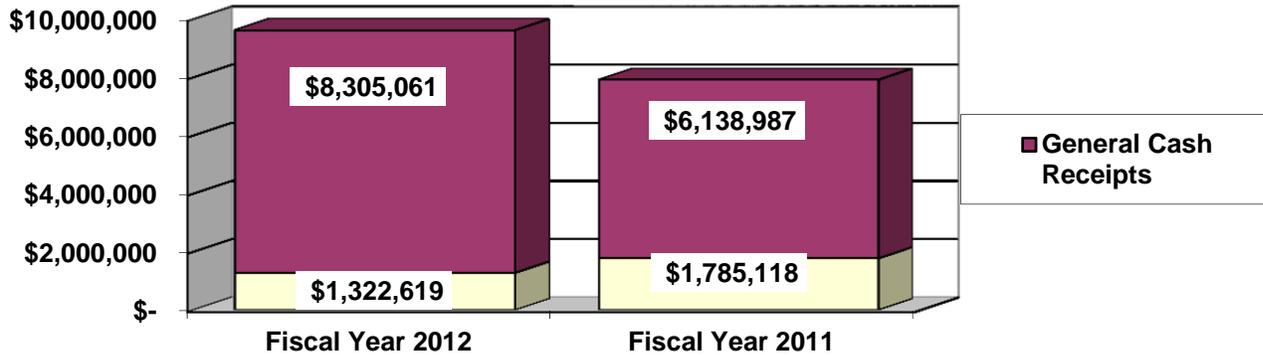
The dependence upon general cash receipts for governmental activities is apparent; with 85.68% of cash disbursements supported through taxes and other general cash receipts during 2012.

The graph below shows the District's governmental activities general receipts and program receipts for fiscal year 2012 and 2011.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

**Governmental Activities - General and Program
Cash Receipts**



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The District's governmental funds reported a combined fund cash balance of \$1,240,325, which is \$391,927 higher than last year's total of \$848,398. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2012 and June 30, 2011.

	Fund Cash Balance June 30, 2012	Fund Cash Balance June 30, 2011	Increase (Decrease)
General	\$ 393,581	\$ 64,412	\$329,169
Bond retirement	365,650	318,616	47,034
Permanent improvement	354,745	237,732	117,013
Other non-major governmental funds	126,349	227,638	(101,289)
Total	\$1,240,325	\$848,398	\$391,927

General Fund

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$6,734,508 in 2012. The cash disbursements and other financing uses of the general fund, totaled \$6,405,339 in 2012. The general fund's cash balance increased \$329,169 or 511.04% from 2011 to 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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

	2012 Amount	2011 Amount	Percentage Change
Cash Receipts:			
Property taxes	\$1,517,404	\$1,395,046	8.77%
Income taxes	342,433	312,702	9.51%
Tuition	170,296	141,913	20.00%
Earnings on investments	10,334	72,048	(85.66)%
Miscellaneous	88,778	258,565	(65.67)%
Intergovernmental	4,605,108	4,412,835	4.36%
Total	\$6,734,353	\$6,593,109	2.14%

Property taxes increased due to an increase in assessed values on which calendar year 2012 property tax receipts were based, affecting the second half of the District's fiscal year. Income taxes increased due to the timing in which income taxes were received in fiscal year 2012. Tuition receipts increased due to additional non-resident students. The District's decrease in investment earnings was due to a portion of the income generated from the District's farm land being allocated to the General Fund in fiscal year 2011 but not in fiscal year 2012. Miscellaneous receipts decreased due to the District no longer receiving revenues from the former Wind Academy. All other cash receipts remained comparable to 2011.

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

	2012 Amount	2011 Amount	Percentage Change
Cash Disbursements:			
Instruction	\$3,804,612	\$4,176,434	(8.90)
Support services	2,362,852	2,873,545	(17.77)
Operation of non-instruction	533	143	272.73
Extracurricular	183,150	172,810	5.98
Principal retirement	15,000	15,000	
Interest and fiscal charges	13,532	14,306	(5.41)
Total	\$6,379,679	\$7,252,238	(12.03)

Instruction services decreased 8.90 percent due to prudent and careful planning by the District, primarily due to decreases in regular instruction disbursements. Support service disbursements decreased by 17.77 percent primarily due to decreased disbursements in instructional staff and administration. All other cash disbursements remained comparable to 2011. Overall, cash disbursements decreased \$872,559 from 2011.

Bond Retirement Fund

The bond retirement fund, a District major fund, had cash receipts and other financing sources of \$1,904,207 in 2012, which includes \$1,656,569 of bond proceeds and the associated premiums. The bond retirement fund had cash disbursements of \$1,857,173 in 2012, which includes a \$1,604,670 payment to refunded bond escrow agent. The bond retirement fund cash balance increased \$47,034 or 14.76% from 2011 to 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Permanent Improvement Fund

The permanent improvement capital projects fund, a District major fund, had cash receipts of \$250,122 in 2012. The permanent improvement capital projects fund had cash disbursements of \$133,109 in 2012. The permanent improvement capital projects fund cash balance increased \$117,013 or 49.22% from 2011 to 2012.

Budgeting Highlights - General Fund

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

For the general fund, final budget basis receipts and other financing sources were \$6,733,235 which was \$521,441 higher than original budget estimates and other financing sources of \$6,211,794. Actual cash receipts and other financing sources of \$6,733,258 were more than final budget estimates by \$23. The final budgetary basis disbursements and other financing uses of \$6,517,216 were more than original budget estimates of \$5,997,664. The actual budgetary basis disbursements and other financing uses of \$6,440,374 were \$76,842 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had no facilities acquisition and construction disbursements during fiscal year 2012.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2012 and 2011.

	Governmental Activities 2012	Governmental Activities 2011
General obligation bonds	\$1,664,057	\$1,755,928
Energy conservation notes	505,000	535,000
Lease-purchase obligation	250,000	265,000
Capital lease	588,865	600,179
Total long-term obligations	\$3,007,922	\$3,156,107

Current Financial Related Activities

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stacy Gratz, Treasurer, Upper Scioto Valley Local School District, P.O. Box 305, McGuffey, OH 45859.

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,240,325
Total Assets	1,240,325
 Net Cash Assets:	
Restricted for:	
Capital Projects	232,080
Debt Service	365,650
Classroom Facilities Maintenance	105,118
State Funded Programs	627
Federally Funded Programs	856
District Managed Student Activities	21,566
Other Purposes	2,488
Unrestricted	511,940
Total Net Cash Assets	\$1,240,325

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Assets
	Cash Disbursements	Charges for Services	Operating Grants and and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$3,571,190	\$180,133	\$239,539	(\$3,151,518)
Special	454,882		325,531	(129,351)
Vocational	22,013	18,478	6,150	2,615
Other	25,290		5,186	(20,104)
Support Services:				
Pupils	97,726		42,466	(55,260)
Instructional Staff	138,961		1,522	(137,439)
Board of Education	10,128			(10,128)
Administration	749,097		33,115	(715,982)
Fiscal	260,465			(260,465)
Business	49,693			(49,693)
Operation and Maintenance of Plant	798,664	20,925	35,816	\$6,807 (735,116)
Pupil Transportation	489,513		13,982	(475,531)
Central	121,093		5,400	(115,693)
Operation of Non-Instructional Services:				
Food Services	336,260	119,868	190,054	(26,338)
Other Non-Instructional Services	533			(533)
Extracurricular Activities	228,700	66,869	10,778	(151,053)
Debt Service:				
Principal Retirement	145,000			(145,000)
Interest and Fiscal Charges	79,976			(79,976)
Bond Issuance Costs	51,899			(51,899)
Payment to Refunded Bond Escrow Agent	1,604,670			(1,604,670)
Total Governmental Activities	<u>\$9,235,753</u>	<u>\$406,273</u>	<u>\$909,539</u>	<u>\$6,807</u> <u>(7,913,134)</u>

General Cash Receipts:

Property Taxes Levied for:

General Purposes	1,517,404
Classroom Maintenance	24,748
Debt Service	220,203
Income Taxes Levied for General Purposes	342,433
Grants and Entitlements not Restricted to Specific Programs	4,286,880
Interest	232,989
Miscellaneous	23,835
Sale of Refunding Bonds	1,564,999
Premium on Sale of Refunding Bonds	91,570
Total General Cash Receipts	<u>8,305,061</u>
Change in Net Cash Assets	391,927
Net Cash Assets at Beginning of Year	<u>848,398</u>
Net Cash Assets at End of Year	<u>\$1,240,325</u>

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$393,581	\$365,650	\$354,745	\$126,349	\$1,240,325
Total Assets	<u>393,581</u>	<u>365,650</u>	<u>354,745</u>	<u>126,349</u>	<u>1,240,325</u>
Cash Fund Balances:					
Restricted:					
Debt Service		365,650			365,650
Capital Improvements			232,080		232,080
Classroom Facilities Maintenance				105,118	105,118
Food Service Operations				2,308	2,308
Targeted Academic Assistance				856	856
Other Purposes				807	807
Extracurricular				21,566	21,566
Committed:					
Capital Improvements			122,665		122,665
Assigned:					
Student and Staff Support	56,351				56,351
Unassigned (deficit)	337,230			(4,306)	332,924
Total Cash Fund Balances	<u>\$393,581</u>	<u>\$365,650</u>	<u>\$354,745</u>	<u>\$126,349</u>	<u>\$1,240,325</u>

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Cash Receipts:					
From Local Sources:					
Property Taxes	\$1,517,404	\$220,203		\$24,748	\$1,762,355
Income Taxes	342,433				342,433
Tuition	170,296				170,296
Earnings on Investments	10,334		\$222,655	17	233,006
Charges for Services				119,868	119,868
Extracurricular	9,949			50,320	60,269
Classroom Materials and Fees	28,315				28,315
Rent	20,925				20,925
Other	29,589			11,624	41,213
Intergovernmental - Intermediate				3,100	3,100
Intergovernmental - State	4,605,108	27,435		45,061	4,677,604
Intergovernmental - Federal			6,807	504,920	511,727
Total Cash Receipts	6,734,353	247,638	229,462	759,658	7,971,111
Cash Disbursements:					
Current:					
Instruction:					
Regular	3,327,717			243,473	3,571,190
Special	454,882				454,882
Vocational	22,013				22,013
Other				25,290	25,290
Support Services:					
Pupils	51,143			46,583	97,726
Instructional Staff	130,112			8,849	138,961
Board of Education	10,128				10,128
Administration	715,607			33,490	749,097
Fiscal	248,982	4,160	6,162	1,161	260,465
Business	49,693				49,693
Operation and Maintenance of Plant	627,104		51,197	120,363	798,664
Pupil Transportation	413,763		75,750		489,513
Central	116,320			4,773	121,093
Operation of Non-Instructional Services:					
Food Service Operations				336,260	336,260
Other Non-Instructional Services	533				533
Extracurricular Activities	183,150			45,550	228,700
Debt Service:					
Principal Retirement	15,000	130,000			145,000
Interest and Fiscal Charges	13,532	66,444			79,976
Bond Issuance Costs		51,899			51,899
Total Cash Disbursements	6,379,679	252,503	133,109	865,792	7,631,083
Cash Receipts Over (Under) Cash Disbursements	354,674	(4,865)	96,353	(106,134)	340,028
Other Financing Sources and Uses:					
Premium on Sale of Refunding Bonds		91,570			91,570
Sale of Refunding Bonds		1,564,999			1,564,999
Transfers In	155		20,660		20,815
Transfers (Out)	(20,660)			(155)	(20,815)
Advance In				5,000	5,000
Advances (Out)	(5,000)				(5,000)
Payment to Refunded Bond Escrow Agent		(1,604,670)			(1,604,670)
Total Other Financing Sources	(25,505)	51,899	20,660	4,845	51,899
Net Change in Fund Cash Balances	329,169	47,034	117,013	(101,289)	391,927
Fund Cash Balances at Beginning of Year	64,412	318,616	237,732	227,638	848,398
Fund Cash Balances at End of Year	\$393,581	\$365,650	\$354,745	\$126,349	\$1,240,325

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
From Local Sources:				
Property Taxes	\$1,380,921	\$1,517,404	\$1,517,404	
Income Taxes	339,669	342,433	342,433	
Tuition	155,787	170,296	170,296	
Earnings on Investments	9,592	10,334	10,334	
Classroom Materials and Fees	19,687	18,476	18,476	
Rental Income	18,896	20,925	20,925	
Contributions and Donations	7,060	6,600	6,600	
Other Local Revenues	18,900	17,772	17,795	\$23
Intergovernmental - State	4,237,395	4,605,108	4,605,108	
Total Receipts	<u>6,187,907</u>	<u>6,709,348</u>	<u>6,709,371</u>	<u>23</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,115,482	3,285,373	3,319,980	(34,607)
Special	355,499	453,830	454,882	(1,052)
Vocational	18,603	23,944	22,013	1,931
Support Services:				
Pupil	49,040	53,672	51,202	2,470
Instructional Staff	98,747	131,115	130,112	1,003
Board of Education	13,260	14,493	10,128	4,365
Administration	577,012	774,980	763,645	11,335
Fiscal	206,473	255,199	248,982	6,217
Business	38,670	49,772	49,693	79
Operation and Maintenance of Plant	741,190	643,646	628,075	15,571
Pupil Transportation	405,185	431,915	413,763	18,152
Central	150,276	165,435	116,320	49,115
Operation of Non-Instructional Services:				
Extracurricular Activities	126,734	163,119	160,856	2,263
Debt Service:				
Principal Retirement	41,654	15,000	15,000	
Interest and Fiscal Charges	17,648	13,532	13,532	
Total Disbursements	<u>5,955,473</u>	<u>6,475,025</u>	<u>6,398,183</u>	<u>76,842</u>
Receipts Over Disbursements	232,434	234,323	311,188	76,865
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	18,693	18,693	18,693	
Transfers Out	(31,197)	(31,197)	(31,197)	
Advances Out	(10,994)	(10,994)	(10,994)	
Sale of Capital Assets	5,194	5,194	5,194	
Total Other Financing Sources (Uses)	<u>(18,304)</u>	<u>(18,304)</u>	<u>(18,304)</u>	
Net Change in Fund Balance	214,130	216,019	292,884	76,865
Fund Balance at Beginning of Year (Restated - Note 3)	42,816	42,816	42,816	
Fund Balance at End of Year	<u>\$256,946</u>	<u>\$258,835</u>	<u>\$335,700</u>	<u>\$76,865</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2012**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$8,462</u>	<u>\$24,693</u>
 Total Assets	 <u>8,462</u>	 <u>24,693</u>
 Net Cash Assets:		
Held in Trust for Scholarships	8,462	
Held for Student Activities		<u>24,693</u>
Total Net Cash Assets	<u>\$8,462</u>	<u>\$24,693</u>

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Gifts and Contributions	\$50
Total Additions	<u>50</u>
Change in Net Cash Assets	50
Net Cash Assets - Beginning of Year	<u>8,412</u>
Net Cash Assets - End of Year	<u><u>\$8,462</u></u>

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1929 through the consolidation of existing land areas and school districts. The District serves an area of approximately ninety-five square miles. It is located in Auglaize, Hardin, and Logan Counties, and includes all of the Villages of Alger and McGuffey, all of Marion and Roundhead Townships, and portions of Cessna, Lynn and McDonald Townships in Hardin County. The District is the 573rd largest in the State of Ohio (among 918 school districts and community schools) in terms of enrollment. It is staffed by 24 classified employees, 46 certified teaching personnel, and 3 administrative employees who provide services to 622 students and other community members. The District currently operates one instructional building, one administration building and one garage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

1. Jointly Governed Organizations

Ohio Hi-Point Joint Vocational School

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

Western Ohio Computer Organization

The 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 2012, the District paid \$45,441 to WOCO for various services. Financial information can be obtained from WOCO, 129 East Court Street, Sidney, Ohio 45365.

Hardin County Schools Consortium Local Professional Development Committee

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

2. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3. Related Organization

Alger Public Library

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

B. Basis of Accounting

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

2. Fiduciary Funds

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

D. Basis of Presentation

1. Government-wide Financial Statements

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

E. Budgets

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$10,334, which includes \$8,103 assigned from other funds.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. At June 30, 2012, the District had no investments.

An analysis of the District's deposits and investments year-end is provided in Note 4.

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Cash Balance

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

K. Net Cash Assets

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds are eliminated on the statement of assets - cash basis and the statement of activities - cash basis.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Budgetary Prior Period Adjustment

The District is restating the beginning budgetary balance to correct an error reported in the prior year. The restatement of the general fund's budgetary-basis fund balance at June 30, 2012 is as follows:

Budgetary Basis	General Fund
Balance at June 30, 2011	\$45,616
Correction of error	(2,800)
Restated balance at July 1, 2011	\$42,816

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

C. Compliance

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

D. Accountability

At June 30, 2012, the Ed Jobs (\$2,032), Education Technology (\$732), and Title 1 (\$1,542) special revenue funds had deficit balances resulting from disbursements in excess or receipts. The General Fund provides transfers or advances to cover deficit balances; however, this is done when cash is needed.

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or with-drawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$1,273,480. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$1,062,358 of the School District's bank balance of \$1,322,144 was exposed to custodial risk as discussed below, while \$259,786 was covered by FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

As of June 30, 2012, the District had no investments.

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

The following is a reconciliation of cash and investments as reported in the note above to cash as reported on the statement of net assets as of June 30, 2012:

Cash and investments per note:	
Carrying amount of deposits	\$1,273,480

Cash and investments per statement of net assets:	
Governmental activities	\$1,240,325
Private - purpose trust funds	8,462
Agency fund	24,693
Total	\$1,273,480

5. INTERFUND TRANSACTIONS

A. Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	
Permanent improvement fund	\$20,660
Transfers from non-major governmental funds to:	
General fund	155
Total transfers	\$20,815

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer to permanent improvement fund from the general fund was to report Ohio Facilities Commission construction disbursements in the proper funds. The Special Revenue Drama Club transferred money to the Special Revenue Principals Fund.

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

B. Advances

Interfund advances for the year ended June 30, 2012, consisted of the following, as reported on the fund statements:

Advances from general fund to:	
Non-major governmental funds	\$5,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. INTERFUND TRANSACTIONS (Continued)

The primary purpose of the interfund advances is to cover costs in specific funds where revenues were not received by June 30. These interfund advances will be repaid once the anticipated revenues are received. All interfund advances are expected to be repaid within one year.

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

6. BUDGETARY BASIS OF ACCOUNTING

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

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

Net Change in Fund Balance	
	General fund
Budget basis	\$292,884
Funds budgeted elsewhere **	(12,783)
Adjustment for encumbrances	49,068
Cash basis	\$329,169

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

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. PROPERTY TAXES (Continued)

Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Hardin, Auglaize and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$58,770,350	90.45	\$74,689,080	91.96
Industrial/commercial	2,377,350	3.65	2,196,670	2.70
Public utility personal	3,831,300	5.90	4,334,080	5.34
Total	<u>\$64,979,000</u>	<u>100.00</u>	<u>\$81,219,830</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$33.80		\$32.60	

8. INCOME TAXES

The District levies a voted tax of 0.5 percent for general operations on the residents and estates. The tax was effective on January 1, 1996, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the general fund.

9. CAPITAL LEASES - LESSEE DISCLOSURE

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

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligations and the present value of the future minimum lease payments as of June 30, 2012:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 11,747	\$ 22,253	\$ 34,000
2014	12,198	21,802	34,000
2015	12,665	21,335	34,000
2016	13,151	20,849	34,000
2017	13,655	20,346	34,001
2018 - 2022	76,539	93,461	170,000
2023 - 2027	92,380	77,620	170,000
2028 - 2032	111,501	58,500	170,001
2033 - 2037	134,576	35,424	170,000
2038 - 2041	110,453	8,547	119,000
Present value of minimum lease payments	<u>\$588,865</u>	<u>\$380,137</u>	<u>\$969,002</u>

10. LEASE-PURCHASE AGREEMENT

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

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

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

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 15,000	\$12,731	\$ 27,731
2014	15,000	11,944	26,944
2015	20,000	11,025	31,025
2016	20,000	9,975	29,975
2017	20,000	8,925	28,925
2018 - 2022	110,000	28,350	138,350
2023 - 2024	50,000	2,625	52,625
Present value of minimum lease payments	<u>\$250,000</u>	<u>\$85,575</u>	<u>\$335,575</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. LONG-TERM OBLIGATIONS

- A. During the fiscal year 2012, the following activity occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance 06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/12</u>	<u>Amount Due in One Year</u>
Governmental Activities:						
General Obligation Bonds:						
School improvement bonds	2.10- 5.25%	\$1,565,000		(\$1,565,000)		
Capital appreciation bonds	16.78%	39,999		(21,608)	\$ 18,391	\$ 18,391
Accretion on capital appreciation bonds		150,929	\$ 6,752	(78,392)	79,289	79,289
Refunding bonds (term and serial)	1.00- 2.80%		1,545,000		1,545,000	40,000
Capital appreciation bonds	56.121%		19,999		19,999	
Accretion on capital			1,378		1,378	
Total general obligation bonds payable		<u>1,755,928</u>	<u>1,573,129</u>	<u>(1,665,000)</u>	<u>1,664,057</u>	<u>137,680</u>
Other Long-Term Obligations:						
Capital lease obligation		600,179		(11,314)	588,865	11,747
Energy conservation note	5.125%	535,000		(30,000)	505,000	30,000
Lease-purchase obligation		265,000		(15,000)	250,000	15,000
Total other long-term obligations		<u>1,400,179</u>		<u>(56,314)</u>	<u>1,343,865</u>	<u>56,747</u>
Total governmental activities		<u>\$3,156,107</u>	<u>\$1,573,129</u>	<u>(\$1,721,314)</u>	<u>\$3,007,922</u>	<u>\$194,427</u>

See Note 9 for detail on the District's capital lease obligations and Note 10 for detail on the District's lease-purchase obligation.

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

This issue is comprised of serial bonds, par value \$1,050,000, term bonds, par value \$1,160,000 and capital appreciation bonds, par value \$39,999. The capital appreciation bonds were issued at a premium of \$85,669. The interest rates on the serial and term interest bonds range from 2.10% to 5.25%. The capital appreciation bonds mature on December 1, 2011 and December 1, 2012 (actual interest rate 16.78%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The capital appreciation bonds are not subject to redemption prior to maturity. The accreted value at maturity for the capital appreciation bonds is \$200,000. Total accreted interest on the capital appreciation bonds at June 30, 2012 was \$79,289.

During fiscal year 2012, the District refunded the callable portion (\$1,565,000) of the current interest bonds. None of the capital appreciation bonds were refunded.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

On April 17, 2012, the District issued series 2012 school improvement refunding bonds to refund the callable portion of the series 2002 general obligation bonds (principal \$1,565,000). Issuance proceeds totaling \$1,564,999 were deposited with an escrow agent.

This refunding issue is comprised of both current interest bonds and capital appreciation bonds, in the amount of \$1,545,000 and \$19,999, respectively. The interest rate on the current interest bonds ranges from 1.00% to 2.80%. The current interest bonds mature on December 1, 2025 and will be retired through the bond retirement fund. The capital appreciation bonds mature on December 1, 2015 (interest rate yield 56.121%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for both capital appreciation bonds is \$120,000 with \$100,001 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2012 is \$1,378.

These bonds were issued with a premium of \$91,570, which is reported as another financing source on the fund financial statements. The issuance costs of \$51,899 are reported as a disbursement on the fund financial statements.

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

The reacquisition price exceeded the net carrying amount of the old debt by \$39,670. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 14 years by \$306,051 and resulted in an economic gain of \$255,965.

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>
2019	\$255,000
2021	255,000
2023	270,000
2025	235,000

The serial bonds maturing on December 1, 2012, are subject to optional redemption, in whole or in part on any interest payment date, in integral multiples of \$5,000, at the option of the District on or after June 1, 2013, at the redemption prices (expressed as percentages of principal amount redeemed) plus accrued interest to the redemption date as follows:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
June 1, 2013 and thereafter	100%

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30,	Current Interest Term and Serial General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 40,000	\$ 35,049	\$18,391	\$ 81,609	\$ 58,391	\$116,658
2014	125,000	30,385			125,000	30,385
2015	125,000	29,135			125,000	29,135
2016		28,510	19,999	100,001	19,999	128,511
2017	120,000	27,610			120,000	27,610
2018 - 2022	630,000	102,455			630,000	102,455
2023 - 2026	505,000	26,130			505,000	26,130
Total	\$1,545,000	\$279,274	\$38,390	\$181,610	\$1,583,390	\$460,884

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 30,000	\$ 25,112	\$ 55,112
2014	35,000	23,447	58,447
2015	35,000	21,653	56,653
2016	35,000	19,859	54,859
2017	40,000	17,938	57,938
2018 - 2022	225,000	56,759	281,759
2023 - 2024	105,000	5,509	110,509
Total	\$505,000	\$170,277	\$675,277

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$6,092,045 (including available funds of \$365,650) and an un-voted debt margin of \$81,220.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. RISK MANAGEMENT

A. Comprehensive

The 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 2012, the District contracted for the following insurance coverage:

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

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

B. Employee Medical, Dental, Vision and Life Insurance

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

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (see Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively.

The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$98,292, \$117,718 and \$119,520, respectively; 67.76 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. PENSION PLANS - (Continued)

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$319,115, \$389,337 and \$364,132, respectively; 89.15 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. POSTEMPLOYMENT BENEFITS - (Continued)

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$19,074, \$27,686 and \$14,140, respectively; 67.76 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,805, \$7,575 and \$7,108, respectively; 67.76 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. POSTEMPLOYMENT BENEFITS - (Continued)

For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$24,547, \$29,949 and \$28,010, respectively; 89.15 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

15. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Employee Insurance Benefits

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

16. CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Student Attendance Data Review

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

16. CONTINGENCIES (Continued)

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

17. SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	Capital Improvements
Set-aside balance June 30, 2011	
Current year set-aside requirement	\$101,855
Contributions in excess of the current fiscal year set-aside requirement	
Current year qualifying expenditures	(75,222)
Excess qualified expenditures from prior years	
Current year offsets	(29,795)
Waiver granted by ODE	

Prior year offset from bond proceeds	
Total	(\$3,162)
Balance carried forward to fiscal year 2013	\$ 0
Set-aside balance June 30, 2012	\$ 0

18. DONOR RESTRICTED ENDOWMENTS

The District's private purpose trust fund includes donor restricted endowments. The amount of net appreciation in donor restricted investments that is available for disbursements by the District is \$8,462 and is included as held in trust for scholarships at June 30, 2012. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the monies should be used to provide a scholarship each year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

19. OTHER COMMITMENTS

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General	\$49,068
Permanent improvement	2,525
Other governmental	7,057
Total	<u>\$58,650</u>

20. UPPER SCIOTO WIND/ENERGY ACADEMY PAYABLE

At June 30, 2012, the Upper Scioto Wind/Energy Academy (Academy) owed the District \$270,283 for Academy costs paid by the District. The Upper Scioto Valley Local School District Board of Education submitted a letter to the Ohio Department of Education on May 31, 2011 indicating their desire to discontinue operations of the Academy. On June 30, 2011, the Academy ceased operations.

21. SUBSEQUENT EVENTS

The roof at USV is in great need of repair or replacement in the very near future. Due to the fact the roof is/has been leaking, the building itself will also need some repairing. At this point in time USV has entered into an agreement with a firm to provide cost estimates for repair. It is unknown to date how USV will fund these repairs.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department of Agriculture					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
National School Lunch Program	10.555		\$16,374		\$16,374
Cash Assistance:					
National School Lunch Program	10.555	\$124,654		\$124,654	
School Breakfast Program	10.553	61,538		61,538	
Total Nutrition Cluster		<u>186,192</u>	<u>16,374</u>	<u>186,192</u>	<u>16,374</u>
Total United States Department of Agriculture		<u>186,192</u>	<u>16,374</u>	<u>186,192</u>	<u>16,374</u>
United States Department of Education					
(Passed through Ohio Department of Education)					
Title I Cluster					
Title I Grants to Local Educational Agencies	84.010	105,686		107,217	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	133			
Total Title I Cluster		<u>105,819</u>		<u>107,217</u>	
Education Jobs Fund	84.410	179,374		181,406	
Education Technology State Grants	84.318			732	
Improving Teacher Quality State Grants	84.367	33,535		34,983	
ARRA Race to the Top, Stimulus	84.395	350		350	
ARRA State Fiscal Stabilization Fund (SFSF)					
Education State Grants, Recovery Act	84.394			28,387	
Total United States Department of Education		<u>319,078</u>		<u>353,075</u>	
Total Federal Financial Assistance		<u>\$505,270</u>	<u>\$16,374</u>	<u>\$539,267</u>	<u>\$16,374</u>

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

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

At June 30, 2012, the District had no significant food commodities in inventory.

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County (the District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 8, 2013, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 8, 2013.

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

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



Dave Yost
Auditor of State

January 8, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Upper Scioto Valley Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the fiscal year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

In our opinion, the Upper Scioto Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 8, 2013.

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



Dave Yost
Auditor of State

January 8, 2013

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster – CFDA #10.555 and CFDA #10.553 Education Jobs Fund – CFDA #84.410
<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 2012-01

Noncompliance Citation

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

Ohio Admin. Code Section 117-2-03(B) requires all school districts to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

OFFICIALS' RESPONSE: At the present time, the District feels it is more cost effective not to pursue GAAP conversion and the additional expense of implementation.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-01	Noncompliance Citation / Material Weakness - Upper Scioto Valley LSD Energy Conservation Notes, Series 2009 – Principal and interest payments were not made in accordance with debt agreement	Yes	
2011-02	Noncompliance Citation / Material Weakness – Lease agreement between US Bank National Association and Board of Education of the Upper Scioto Valley LSD, Dated June 2009 - Principal and interest payments were not made in accordance with debt agreement	Yes	
2011-03	Noncompliance Citation / Significant Deficiency – Ohio Rev. Code Section 5705.41 (C) and Upper Scioto Valley LSD Board Resolution 2010-272 – The District made disbursements without issuing warrants and did not charge the Board approved rates for student breakfasts	Yes	
2011-04	Noncompliance Citation – Ohio Rev. Code Section 149.351 (A) – The District failed to maintain Board Resolution 96-267	Yes	
2011-05	Noncompliance Citation - Ohio Rev. Code Section 153.67 – The District failed to publicly announce professional design contracts	Yes	
2011-06	Noncompliance Citation - State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) and AG Op No 82-006 – The District expended General Fund monies for food items without a prior Board resolution in place	Yes	
2011-07	Finding for Recovery Repaid Under Audit - <i>State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)</i> , Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose, and Ohio Rev. Code Section 117.28 – Overpayment of travel reimbursement	Yes	
2011-08	Noncompliance Citation - Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) – The District failed to file GAAP financial statements	No	Repeated as Finding 2012-01
2011-09	Noncompliance Citation - Ohio Rev. Code Section 5705.412 – The School District failed to complete 412 Certificates for Permanent Appropriations and Negotiated Agreements	Yes	
2011-10	Noncompliance / Ohio Ethics Commission Referral - Ohio Rev. Code Sections 3319.07 (A) and 2921.42 (A)(1) – The School District hired the Superintendent's son as a teacher	Yes	

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Dave Yost • Auditor of State

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 14, 2013