



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis – June 30, 2010	13
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2010.....	14
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds – June 30, 2010.....	16
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances - Cash Basis - Governmental Funds – For the Fiscal Year Ended June 30, 2010	17
Statement of Receipts, Disbursements, and Change in Fund Balance – Budget and Actual – General Fund – For the Fiscal Year Ended June 30, 2010.....	18
Statement of Fiduciary Net Assets – Cash Basis - Fiduciary Funds – June 30, 2010.....	19
Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Funds For the Fiscal Year Ended June 30, 2010.....	20
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Receipts and Expenditures.....	45
Notes to the Schedule of Federal Awards Receipts and Expenditures	46
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	47
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	49
Schedule of Findings and Questioned Costs.....	51
Schedule of Prior Audit Findings.....	65
Corrective Action Plan.....	66

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, (the School District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, as of June 30, 2010, 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 basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2011 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was 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.



Dave Yost
Auditor of State

June 9, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

The management's discussion and analysis of the Upper Scioto Valley Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2010, within the limitations of the School District's cash basis of accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- The total net cash assets of the School District decreased \$3,121,537 or 63.90% from fiscal year 2009.
- General cash receipts accounted for \$6,367,611 or 81.83% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,414,272 or 18.17% of total governmental activities cash receipts.
- The School District had \$10,903,420 in cash disbursements related to governmental activities; \$1,414,272 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$6,367,611 were not adequate to provide for these programs.
- The School District's major funds are the general fund, bond retirement fund and permanent improvement capital projects fund. The general fund, the School District's largest major fund, had cash receipts and other financing sources of \$6,300,295 in 2010. The cash disbursements and other financing uses of the general fund, totaled \$8,423,408 in 2010. The general fund's cash balance decreased \$2,123,113 or 74.4% from 2009 to 2010.
- The bond retirement fund, a School District major fund, had cash receipts of \$186,654 in 2010. The bond retirement fund had cash disbursements of \$179,523 in 2010. The bond retirement fund cash balance increased \$7,131 or 2.39% from 2009 to 2010.
- The permanent improvement capital projects fund, a School District major fund, had cash receipts of \$126,621 in 2010. The permanent improvement capital projects fund had cash disbursements of \$1,156,437 in 2010. The permanent improvement capital projects fund cash balance decreased \$1,029,816 or 93.66% from 2009 to 2010.

Using this Basic Financial Statements (BFS)

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

The statement of net assets - cash basis and statement of activities - cash basis provide information about the activities of the whole School District, presenting an aggregate view of the School District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the School District, there are 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, 2010
(UNAUDITED)
(Continued)

Reporting the School District as a Whole

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

The statement of net assets - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2010?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

In the statement of net assets - cash basis and statement of activities - cash the Governmental Activities include School District's programs and services including instruction, 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 13-15 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, bond retirement and permanent improvement capital projects fund. The analysis of the School District's major governmental funds begins on page 8.

Governmental Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

The governmental fund statements provide a detailed view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various School District programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 16-17 of this report.

The School District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the School District's compliance with annually adopted budgets. The budgetary statement can be found on page 18 of this report.

Fiduciary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-43 of this report.

Government-Wide Financial Analysis

Recall that the statement of net assets - cash basis provides the perspective of the School District as a whole. The table below provides a summary of the School District's net cash assets at June 30, 2010 and June 30, 2009.

	Net Cash Assets	
	Governmental Activities 2010	Governmental Activities 2009
Assets:		
Equity in pooled cash and cash equivalents	\$1,762,944	\$4,884,791
Cash and cash equivalents with fiscal agent	707	397
Total assets	1,763,651	4,885,188
Net Cash Assets:		
Restricted	1,151,623	2,045,873
Unrestricted	612,028	2,839,315
Total net cash assets	\$1,763,651	\$4,885,188

The total net cash assets of the School District decreased \$3,121,537 which represents a 63.90% decrease from fiscal year 2009. The decrease in net assets is primarily due the issuance of \$576,000 of energy conservation notes and the inception of a \$284,000 lease-purchase agreement in fiscal year 2009 and an increase in expenditures, primarily instruction and facilities acquisition and construction during fiscal year 2010. The cash related to these two items are report in cash assets of the School District at fiscal year end. The balance of government-wide unrestricted net cash assets of \$612,028 may be used to meet the government's ongoing obligations to citizens and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

The table below shows the changes in net cash assets for fiscal year 2010 and 2009.

Change in Net Cash Assets		
	Governmental Activities 2010	Governmental Activities 2009
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 445,154	\$ 306,548
Operating grants and contributions	949,118	806,019
Capital grants and contributions	20,000	14,968
Total program cash receipts	<u>1,414,272</u>	<u>1,127,535</u>
General cash receipts:		
Property taxes	1,539,138	1,475,406
Income taxes	308,358	347,867
Unrestricted grants and entitlements	4,358,948	4,275,315
Investment earnings	3,166	26,644
Inception of lease-purchase agreement		284,000
Sale of assets		395
Sale of notes		576,000
Rent	99,690	103,592
Other	58,311	28,540
Total general cash receipts	<u>6,367,611</u>	<u>7,117,759</u>
Total cash receipts	<u>7,781,883</u>	<u>8,245,294</u>
Cash Disbursements:		
Instruction:		
Regular	3,921,420	2,945,614
Special	1,202,847	822,104
Vocational	11,986	2,110
Other	17,789	
Support services:		
Pupil	241,089	112,394
Instructional staff	380,716	157,589
Board of education	23,836	60,875
Administration	772,083	636,244
Fiscal	367,683	267,785
Operations and maintenance	1,258,419	774,201
Pupil transportation	463,064	339,215
Central	252,712	270,648
Operation of non-instructional services:		
Food service operations	315,510	253,391
Other non-instructional services	136	147
Extracurricular	221,965	186,771
Facilities acquisition and construction	1,219,098	116,886
Debt service:		
Principal retirement	105,000	85,000
Interest and fiscal charges	128,067	88,629
Total cash disbursements	<u>10,903,420</u>	<u>7,119,603</u>
Change in net cash assets	<u>(3,121,537)</u>	<u>1,125,691</u>
Net cash assets at beginning of year	4,885,188	3,759,497
Net cash assets at end of year	<u>\$1,763,651</u>	<u>\$4,885,188</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

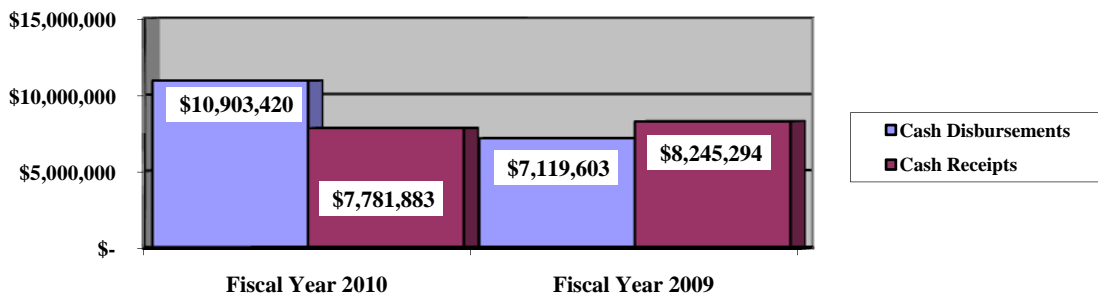
Governmental Activities

Governmental cash assets decreased by \$3,121,537 in 2010 from 2009. Total governmental disbursements of \$10,903,420 were offset by program receipts of \$1,414,272 and general receipts of \$6,367,611. Program receipts supported 12.97% of the total governmental disbursements. The largest governmental disbursements were instructional expenditures which totaled \$5,154,042 or 47.27% of total governmental expenditures.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These receipt sources represent 79.76% of total governmental receipts. Real estate property is reappraised every six years.

The graph below shows the School District governmental activities cash receipts and cash disbursements for fiscal year 2010 and 2009.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



The table below shows the total cost of services and the net cost of services (e.g. the cost of those services supported by general revenues of the School District) for fiscal year 2010 and 2009:

Governmental Activities				
	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Cash disbursements:				
Instruction:				
Regular	\$ 3,921,420	\$3,506,908	\$2,945,614	\$2,745,365
Special	1,202,847	933,445	822,104	335,847
Vocational	11,986	5,882	2,110	(3,949)
Other	17,789	(18,920)		
Support services:				
Pupil	241,089	90,084	112,394	98,070
Instructional staff	380,716	259,297	157,589	120,779
Board of education	23,836	23,836	60,875	60,875
Administration	772,083	771,744	636,244	609,773
Fiscal	367,683	364,123	267,785	267,785
Operations and maintenance	1,258,419	1,238,419	774,201	773,861
Pupil transportation	463,064	448,642	339,215	313,071
Central	252,712	243,853	270,648	257,333

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

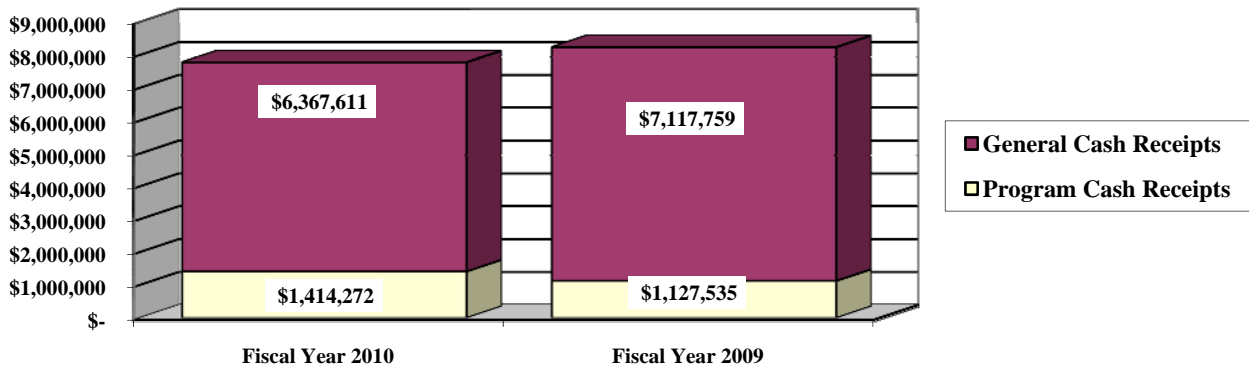
**Governmental Activities
(Continued)**

Cash disbursements: (Continued)	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Operation of non-instructional services:				
Food service operations	315,510	1,983	253,391	(5,953)
Operation of non instruction	136	136	147	147
Extracurricular	221,965	167,551	186,771	134,549
Facilities acquisition and construction	1,219,098	1,219,098	116,886	110,886
Debt service:				
Principal retirement	105,000	105,000	85,000	85,000
Interest and fiscal charges	128,067	128,067	88,629	88,629
Total	<u>\$10,903,420</u>	<u>\$9,489,148</u>	<u>\$7,119,603</u>	<u>\$5,992,068</u>

The dependence upon general cash receipts for governmental activities is apparent; with 87.03% of cash disbursements supported through taxes and other general cash receipts during 2010.

The graph below shows the School District's governmental activities general receipts and program receipts for fiscal year 2010 and 2009.

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

The School District's governmental funds reported a combined fund cash balance of \$1,763,651, which is \$3,121,537 lower than last year's total of \$4,885,188. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2010 and June 30, 2009, for all major and non-major governmental funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

	Fund Cash Balance June 30, 2010	Fund Cash Balance June 30, 2009	Increase (Decrease)
General	\$ 729,632	\$2,852,745	(\$2,123,113)
Bond retirement	305,326	298,195	7,131
Permanent improvement	69,656	1,099,472	(1,029,816)
Other non-major governmental funds	659,037	634,776	24,261
Total	\$1,763,651	\$4,885,188	(\$3,121,537)

General Fund

The general fund, the School District's largest major fund, had cash receipts and other financing sources of \$6,300,295 in 2010. The cash disbursements and other financing uses of the general fund, totaled \$8,423,408 in 2010. The general fund's cash balance decreased \$2,123,113 or 74.4% from 2009 to 2010.

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

Cash Receipts:	2010 Amount	2009 Amount	Percentage Change
Property taxes	\$1,357,662	\$1,294,294	4.90 %
Income taxes	308,358	347,867	(11.36) %
Tuition	86,783	75,343	15.18 %
Earnings on investments	3,029	26,049	(88.37) %
Miscellaneous	219,571	58,894	272.82 %
Intergovernmental	4,309,526	4,506,100	(4.36) %
Total	\$6,284,929	\$6,308,547	(0.37) %

Income tax receipts decreased due to the overall economy. Tuition receipts increased due to additional non-resident students. The School District's decrease in investment earnings was due to reduced interest rates between 2009 and 2010. The miscellaneous receipts increased due to receipts from the Wind Academy received by the School District in fiscal year 2010. All other cash receipts remained comparable to 2009.

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

Cash Disbursements:	2010 Amount	2009 Amount	Percentage Change
Instruction	\$4,657,085	\$3,425,764	35.94 %
Support services	3,166,790	2,269,256	39.55 %
Operation of non instruction	136	147	(7.48) %
Extracurricular	124,947	112,133	11.43 %
Facilities acquisition and construction	334,476	113,565	194.52 %
Principal retirement	15,000		100.00 %
Interest and fiscal charges	42,809		100.00 %
Total	\$8,341,243	\$5,920,865	40.88 %

Instruction services increased 35.94% and support services increased 39.55% due to an overall increase in salaries, benefits and supplies. Extracurricular cash disbursements increased 11.43% but the amount is immaterial when compared to the total cash disbursements. Facilities acquisition and construction increased 194.52% but total costs are not significant compared to the total cash disbursements. Principal and interest payments increased due to repayment of debt issued in fiscal year 2009. Overall, cash disbursements increased \$2,420,378 from 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Bond Retirement Fund

The bond retirement fund, a School District major fund, had cash receipts of \$186,654 in 2010. The bond retirement fund had cash disbursements of \$179,523 in 2010. The bond retirement fund cash balance increased \$7,131 or 2.39% from 2009 to 2010.

Permanent Improvement Fund

The permanent improvement capital projects fund, a School District major fund, had cash receipts of \$126,621 in 2010. The permanent improvement capital projects fund had cash disbursements of \$1,156,437 in 2010. The permanent improvement capital projects fund cash balance decreased \$1,029,816 or 93.66% from 2009 to 2010. A portion of the prior year ending fund balance (\$860,000) consisted of funds obtained from the issuance of \$576,000 of energy conservation notes and the inception of a loan for \$284,000, which was executed by a lease-purchase agreement in fiscal year 2009. The cash disbursements in fiscal year 2010 were for construction projects and included the debt proceeds.

Budgeting Highlights - General Fund

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

For the general fund, final budget basis receipts and other financing sources were \$6,352,499 higher than original budget estimates due to original resources not being provided. Actual cash receipts and other financing sources of \$6,300,295 were less than final budget estimates by \$51,912. The final budgetary basis disbursements of \$8,437,284 were more than original budget estimates of \$6,418,400. The actual budgetary basis disbursements of \$8,437,284 were \$387,332 more than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The School District had facilities acquisition and construction disbursements of \$1,219,098 during fiscal year 2010.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2010 and 2009.

	Governmental Activities 2010	Governmental Activities 2009
General obligation bonds	\$1,842,263	\$1,923,992
Energy conservation notes	565,000	576,000
Lease-purchase obligation	280,000	284,000
Capital lease	611,075	621,569
Total long-term obligations	\$3,298,338	\$3,405,561

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Current Financial Related Activities

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

Contacting the School District's Financial Management

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

This page intentionally left blank.

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2010**

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Upper Scioto Wind/ Energy Academy</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$1,762,944	\$26,510
Cash and Cash Equivalents with Fiscal Agent	707	
Total Assets	<u>1,763,651</u>	<u>26,510</u>
 Net Cash Assets:		
Restricted for:		
Capital Projects	423,357	
Debt Service	305,326	
Classroom Facilities Maintenance	174,878	
State Funded Programs	4,531	3,000
Federally Funded Programs	141,319	22,719
District Managed Student Activities	17,415	
Public School Support	24,647	
Other Purposes	60,150	
Unrestricted	612,028	791
Total Net Cash Assets	<u>\$1,763,651</u>	<u>\$26,510</u>

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, 2010**

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$3,921,420	\$259,872	\$154,640	
Special	1,202,847		269,402	
Vocational	11,986		6,104	
Other	17,789		36,709	
Support Services:				
Pupils	241,089		151,005	
Instructional Staff	380,716		121,419	
Board of Education	23,836			
Administration	772,083		339	
Fiscal	367,683		3,560	
Operation and Maintenance of Plant	1,258,419			\$20,000
Pupil Transportation	463,064		14,422	
Central	252,712		8,859	
Operation of Non-Instructional Services:				
Food Services	315,510	130,868	182,659	
Other Non-Instructional Services	136			
Extracurricular Activities	221,965	54,414		
Facilities Acquisition and Construction	1,219,098			
Debt Service:				
Principal Retirement	105,000			
Interest and Fiscal Charges	128,067			
Total Governmental Activities	\$10,903,420	\$445,154	\$949,118	\$20,000
Component Unit:				
Upper Scioto Wind/Energy Academy	350,884	16,200	107,964	

General Cash Receipts:

Property Taxes Levied for:

General Purposes
Classroom Maintenance
Debt Service
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Rent
Miscellaneous
Total General Cash Receipts

Change in Net Cash Assets

Net Cash Assets at Beginning of Year

Net Cash Assets at End of Year

See accompanying notes to the basic financial statements.

**Net (Disbursements) Receipts and Changes in
Net Cash Assets**

Primary Government	Component Unit
Governmental Activities	Upper Scioto Wind/ Energy Academy
(\$3,506,908)	
(933,445)	
(5,882)	
18,920	
(90,084)	
(259,297)	
(23,836)	
(771,744)	
(364,123)	
(1,238,419)	
(448,642)	
(243,853)	
(1,983)	
(136)	
(167,551)	
(1,219,098)	
(105,000)	
(128,067)	
<u>(9,489,148)</u>	
	<u>(\$226,720)</u>
1,357,662	
23,027	
158,449	
308,358	
4,358,948	243,790
3,166	
99,690	
58,311	
<u>6,367,611</u>	<u>243,790</u>
(3,121,537)	17,070
4,885,188	9,440
<u>\$1,763,651</u>	<u>\$26,510</u>

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$716,201	\$305,326	\$69,656	\$658,330	\$1,749,513
Cash and Cash Equivalents with Fiscal Agent				707	707
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	13,431				13,431
Total Assets	<u>729,632</u>	<u>305,326</u>	<u>69,656</u>	<u>659,037</u>	<u>1,763,651</u>
Cash Fund Balances:					
Reserved for Encumbrances	13,876			31,089	44,965
Reserved for Bus Purchase	13,431				13,431
Reserved for Debt Service		305,326			305,326
Unreserved, Undesignated, Reported In:					
General Fund	702,325				702,325
Special Revenue Funds				297,601	297,601
Capital Projects Funds			69,656	330,347	400,003
Total Cash Fund Balances	<u>\$729,632</u>	<u>\$305,326</u>	<u>\$69,656</u>	<u>\$659,037</u>	<u>\$1,763,651</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, 2010**

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Cash Receipts:					
Property Taxes	\$1,357,662	\$158,449		\$23,027	\$1,539,138
Income Taxes	308,358				308,358
Tuition	86,783				86,783
Earnings on Investments	3,029		\$125	12	3,166
Charges for Services				130,868	130,868
Extracurricular				54,414	54,414
Classroom Materials and Fees	11,260			11,829	23,089
Rent			99,690		99,690
Other	208,311		20,000		228,311
Intergovernmental - Intermediate				2,358	2,358
Intergovernmental - State	4,309,526	28,205		72,323	4,410,054
Intergovernmental - Federal			6,806	888,848	895,654
Total Cash Receipts	6,284,929	186,654	126,621	1,183,679	7,781,883
Cash Disbursements:					
Current:					
Instruction:					
Regular	3,796,321			125,099	3,921,420
Special	848,778			354,069	1,202,847
Vocational	11,986				11,986
Other				17,789	17,789
Support Services:					
Pupils	127,447		6,968	106,674	241,089
Instructional Staff	229,422			151,294	380,716
Board of Education	23,836				23,836
Administration	771,139			944	772,083
Fiscal	357,683	4,265		5,735	367,683
Operation and Maintenance of Plant	950,346		289,447	18,626	1,258,419
Pupil Transportation	463,064				463,064
Central	243,853			8,859	252,712
Operation of Non-Instructional Services:					
Food Service Operations				315,510	315,510
Other Non-Instructional Services	136				136
Extracurricular Activities	124,947			97,018	221,965
Facilities Acquisition and Construction	334,476		860,022	24,600	1,219,098
Debt Service:					
Principal Retirement	15,000	90,000			105,000
Interest and Fiscal Charges	42,809	85,258			128,067
Total Cash Disbursements	8,341,243	179,523	1,156,437	1,226,217	10,903,420
Cash Receipts Over (Under) Cash Disbursements	<u>(2,056,314)</u>	<u>7,131</u>	<u>(1,029,816)</u>	<u>(42,538)</u>	<u>(3,121,537)</u>
Other Financing Sources and Uses:					
Advances In				10,615	10,615
Advances Out	(10,615)				(10,615)
Transfers In	15,366			71,550	86,916
Transfers Out	(71,550)			(15,366)	(86,916)
Total Other Financing Sources	(66,799)			66,799	0
Net Change in Fund Balances	(2,123,113)	7,131	(1,029,816)	24,261	(3,121,537)
Fund Balances at Beginning of Year	<u>2,852,745</u>	<u>298,195</u>	<u>1,099,472</u>	<u>634,776</u>	<u>4,885,188</u>
Fund Balances at End of Year	<u>\$729,632</u>	<u>\$305,326</u>	<u>\$69,656</u>	<u>\$659,037</u>	<u>\$1,763,651</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes		\$1,357,661	\$1,357,662	\$1
Income Taxes		308,357	308,358	1
Tuition		86,782	86,783	1
Earnings on Investments		3,061	3,029	(32)
Classroom Materials and Fees		11,260	11,260	
Other Local Revenues		259,602	208,311	(51,291)
Intergovernmental - State		4,309,233	4,309,526	293
Intergovernmental - Federal		292		(292)
Total Receipts		<u>6,336,248</u>	<u>6,284,929</u>	<u>(51,319)</u>
Disbursements:				
Current:				
Instruction:				
Regular	\$3,111,443	4,422,691	3,799,805	622,886
Special	705,989	846,578	849,373	(2,795)
Vocational	302	4,104	11,986	(7,882)
Support Services:				
Pupil	104,687	97,520	127,447	(29,927)
Instructional Staff	141,040	147,647	229,422	(81,775)
Board of Education	45,435	63,284	23,836	39,448
Administration	616,551	608,061	771,139	(163,078)
Fiscal	273,764	281,299	357,683	(76,384)
Operation and Maintenance of Plant	614,931	616,756	959,353	(342,597)
Pupil Transportation	454,121	394,362	463,794	(69,432)
Central	188,641	358,867	243,912	114,955
Operation of Non-Instructional Services:				
Other Non-Instructional Services	466		137	(137)
Extracurricular Activities	101,447	96,365	124,947	(28,582)
Facility Acquisition and Construction	27,258	28,000	334,476	(306,476)
Debt Service:				
Principal Retirement	808	11,000	15,000	(4,000)
Interest and Fiscal Charges	2,088	28,418	42,809	(14,391)
Total Disbursements	<u>6,388,971</u>	<u>8,004,952</u>	<u>8,355,119</u>	<u>(350,167)</u>
Receipts Over Disbursements	(6,388,971)	(1,668,704)	(2,070,190)	(401,486)
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures		885		(885)
Transfers In		15,366	15,366	
Transfers Out	(29,429)	(34,385)	(71,550)	(37,165)
Advances Out		(10,615)	(10,615)	
Total Other Financing Sources (Uses)	<u>(29,429)</u>	<u>(28,749)</u>	<u>(66,799)</u>	<u>(38,050)</u>
Net Change in Fund Balance	(6,418,400)	(1,697,453)	(2,136,989)	(439,536)
Fund Balance at Beginning of Year	2,602,893	2,602,893	2,602,893	
Prior Year Encumbrances Appropriated	<u>249,852</u>	<u>249,852</u>	<u>249,852</u>	
Fund Balance at End of Year	<u>(\$3,565,655)</u>	<u>\$1,155,292</u>	<u>\$715,756</u>	<u>(\$439,536)</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, 2010**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$8,412	\$44,549
Total Assets	<u>8,412</u>	<u>44,549</u>
 Net Cash Assets:		
Held in Trust for Scholarships	8,412	
Held for Student Activities		44,549
	<u>\$8,412</u>	<u>\$44,549</u>

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Gifts and Contributions	\$50
Total Additions	<u>50</u>
Deductions:	
Scholarships Awarded	<u>250</u>
Change in Net Cash Assets	(200)
Net Cash Assets - Beginning of Year	<u>8,612</u>
Net Cash Assets - End of Year	<u><u>\$8,412</u></u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District was established in 1929 through the consolidation of existing land areas and school districts. The School District serves an area of approximately ninety-five square miles. It is located in Auglaize, Hardin, and Logan Counties, and includes all of the Villages of Alger and McGuffey, all of Marion and Roundhead Townships, and portions of Cessna, Lynn and McDonald Townships in Hardin County. The School District is the 585th largest in the State of Ohio (among 934 school districts and community schools) in terms of enrollment. It is staffed by 39 classified employees, 57 certified teaching personnel, and 3 administrative employees who provide services to 657 students and other community members. The School 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 School District. For the School District, this includes general operations, food services, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' government board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; or (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the School District has one component unit. The basic financial statements of the reporting entity include those of the School District (the primary government) and those of the Upper Scioto Wind/Energy Academy (component unit).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

1. Discretely Presented Component Unit

Upper Scioto Wind/Energy Academy

Upper Scioto Wind/Energy Academy (the "Academy") is a conversion-type, site-based community school established pursuant to Ohio Revised Code Chapters 3314 to address the needs of students between sixteen and twenty-two years of age who have dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, or suspensions. The Academy is designed to develop an individual's understanding of the importance, practice, development, delivery, and comprehensiveness of alternative and renewable energy sources and their overall impact on long-term resource conservation and availability. The School District is the Academy's sponsor. The Academy is fiscally dependent on the School District and is therefore reflected as a component unit of the School District. The Academy is reported separately to emphasize that it is legally separate from the School District. The Academy paid the School District \$150,000 for contract services provided by the School District during 2010. Separately issued financial statements prepared under the GAAP basis of accounting for the Academy can be obtained from the Fiscal Officer of the Upper Scioto Wind/Energy Academy at P.O. Box 305, McGuffey, Ohio 45859.

2. Jointly Governed Organizations

Ohio Hi-Point Joint Vocational School

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

Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2010, the School District paid \$53,038 to WOCO for various services. Financial information can be obtained from WOCO, 129 East Court Street, Sidney, Ohio 45365.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hardin County Schools Consortium Local Professional Development Committee

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

3. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Related Organization

Alger Public Library

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

B. Basis of Accounting

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

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

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

C. Fund Accounting

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

1. Governmental Funds

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Other governmental funds of the School District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

2. Fiduciary Funds

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

D. Basis of Presentation

1. Government-wide Financial Statements

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all 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 expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control has been established by the Board at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations below the legal level within all funds are made by the School District Treasurer.

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

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

F. Cash and Cash Equivalents

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

Cash and cash equivalents held for the School District by the Hardin County Educational Service Center is reflected as "cash and cash equivalents with fiscal agent".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2010, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$3,029, which includes \$1,126 assigned from other funds.

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

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

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

The School District reserves those portions of fund cash balance which are legally segregated for a specific future use. Unreserved fund cash balance indicates that portion of fund cash balance which is available for appropriation in future periods. Fund cash balance reserves have been established for encumbrances, debt service and monies restricted for school bus purchases.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, uniform school supplies and Rockwell Trust fund receipts.

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

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The School District had \$13,431 of restricted cash at June 30, 2010 that is restricted by the State Statute for school bus purchases.

M. 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.

N. 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 2010.

3. COMPLIANCE

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

Additionally, the School District did not comply with requirements regarding posting expenditures to the correct fund, competitive bidding, and certification of funds prior to obligation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

A. Cash and Cash Equivalents with Fiscal Agent

At year end, the School District had \$707 held by the Hardin County Educational Service Center (the "ESC") as fiscal agent for grants spent on-behalf of the School District. These funds are maintained by the ESC and are included on the financial statements of the School District as "cash and cash equivalents with fiscal agent". These funds are not included in "deposits with financial institutions" below.

B. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all School District deposits was \$335,887. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$8,545 of the School District's bank balance of \$258,545 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

C. Investments

As of June 30, 2010, the School District had the following investments and maturities:

Investment Type	Cost	Investment Maturities 6 months or less
STAR Ohio	\$1,480,018	\$1,480,018
Total	\$1,480,018	\$1,480,018

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

D. 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, 2010:

Cash and investments per note:	
Carrying amount of deposits	\$ 335,887
Investments	1,480,018
Cash and cash equivalents with fiscal agent	707
Total	<u>\$1,816,612</u>

Cash and investments per statement of net assets:	
Governmental activities	\$1,763,651
Private - purpose trust funds	8,412
Agency fund	44,549
Total	<u>\$1,816,612</u>

5. INTERFUND TRANSACTIONS

A. Transfers

Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

Transfers to non-major governmental funds from:	
General fund	\$71,550
Transfers to general fund from:	
Non-major governmental fund	15,366
Total transfers	<u>\$86,916</u>

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer to the general fund from the School District's Little River Pre-School Fund (a non-major governmental fund) was to eliminate residual fund equity.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. INTERFUND TRANSACTIONS (Continued)

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

B. Advances

Interfund advances for the year ended June 30, 2010, consisted of the following, as reported on the fund statements:

Advances to federal funds from:	
General fund	\$10,615

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 School District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and change in fund cash balance - budget and actual -budget basis 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 a reservation of fund balance (cash).

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

	<u>Net Change in Fund Cash Balance</u>
	<u>General Fund</u>
Cash basis	(\$2,123,113)
Adjustment for encumbrances	(13,876)
Budget basis	<u>(\$2,136,989)</u>

7. PROPERTY TAXES

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The School District receives property taxes from Auglaize, Hardin, and Logan Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 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 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$49,980,840	88.32	\$58,770,350	90.45
Industrial/commercial	2,446,130	4.32	2,377,350	3.66
Public utility personal	3,572,421	6.31	3,743,350	5.76
Tangible personal property	589,046	1.05	87,950	0.13
Total	\$56,588,437	100.00	\$64,979,000	100.00
 Tax rate per \$1,000 of assessed valuation	 \$34.80		 \$33.80	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. INCOME TAXES

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

9. CAPITAL LEASES - LESSEE DISCLOSURE

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

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 10,896	\$ 23,104	\$ 34,000
2012	11,314	22,686	34,000
2013	11,747	22,253	34,000
2014	12,198	21,802	34,000
2015	12,665	21,335	34,000
2016 - 2020	70,992	99,009	170,001
2021 - 2025	85,685	84,315	170,000
2026 - 2030	103,418	66,583	170,001
2031 - 2035	124,822	45,178	170,000
2036 - 2040	150,655	19,345	170,000
2041	16,683	317	17,000
Present value of minimum lease payments	<u>\$611,075</u>	<u>\$425,927</u>	<u>\$1,037,002</u>

10. LEASE-PURCHASE AGREEMENT

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

The Lease term commenced June 11, 2009 and renews annually through December 1, 2023. The Lease requires the School District to make payments of principal each December 1 beginning December 1, 2009 and ending December 1, 2023. Interest payments are due June 1 and December 1 of each year during the Lease term. The 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. LEASE-PURCHASE AGREEMENT (Continued)

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, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 15,000	\$ 14,306	\$ 29,306
2012	15,000	13,519	28,519
2013	15,000	12,731	27,731
2014	15,000	11,944	26,944
2015	20,000	11,025	31,025
2016 - 2020	100,000	39,375	139,375
2021 - 2024	100,000	10,500	110,500
Present value of minimum lease payments	<u>\$280,000</u>	<u>\$113,400</u>	<u>\$393,400</u>

11. LONG-TERM OBLIGATIONS

A. During the fiscal year 2010, the following activity occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance 6/30/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2010</u>	<u>Amount Due in One Year</u>
Governmental Activities:						
General Obligation Bonds:						
School improvement bonds	2.10-5.25%	\$1,750,000		(\$ 90,000)	\$1,660,000	\$ 95,000
Capital appreciation bonds	16.78%	39,999			39,999	
Accretion on capital Appreciation bonds		133,993	\$8,271		142,264	
Total general obligation Bonds payable		<u>1,923,992</u>	<u>8,271</u>	<u>(90,000)</u>	<u>1,842,263</u>	<u>95,000</u>
Other Long-Term Obligations:						
Capital lease obligation		621,569		(10,494)	611,075	10,896
Energy conservation note	5.125%	576,000		(11,000)	565,000	30,000
Lease-purchase obligation		284,000		(4,000)	280,000	15,000
Total other long-term obligations		<u>1,481,569</u>		<u>(25,494)</u>	<u>1,456,075</u>	<u>55,896</u>
Total governmental activities		<u>\$3,405,561</u>	<u>\$8,271</u>	<u>(\$115,494)</u>	<u>\$3,298,338</u>	<u>\$150,896</u>

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

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, 2010 was \$142,264.

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

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

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

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

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

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

Fiscal Year Ending June 30,	Current Interest Term and Serial		Capital Appreciation Bonds		Total	
	<u>General Obligation Bonds Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 95,000	\$ 81,508			\$ 95,000	\$ 81,508
2012		79,538	\$21,608	\$ 78,392	21,608	157,930
2013		79,538	18,391	81,609	18,391	161,147
2014	100,000	77,312			100,000	77,312
2015	100,000	72,813			100,000	72,813
2016-2020	555,000	287,532			555,000	287,532
2021-2025	695,000	125,343			695,000	125,343
2026	115,000	3,018			115,000	3,018
Total	<u>\$1,660,000</u>	<u>\$806,602</u>	<u>\$39,999</u>	<u>\$160,001</u>	<u>\$1,699,999</u>	<u>\$966,603</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

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

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 30,000	\$ 28,188	\$ 58,188
2012	30,000	26,650	56,650
2013	30,000	25,112	55,112
2014	35,000	23,447	58,447
2015	35,000	21,653	56,653
2016 - 2020	205,000	78,796	283,796
2021 - 2024	200,000	21,269	221,269
Total	<u>\$565,000</u>	<u>\$225,115</u>	<u>\$790,115</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School 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 School District. The assessed valuation use in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$5,094,432 (including available funds of \$305,326) and an un-voted debt margin of 64,891.

12. RISK MANAGEMENT

A. Comprehensive

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2010, the School District contracted for the following insurance coverage:

<u>Description</u>	<u>Amount</u>
Building and Contents - replacement cost	\$33,264,542
Automotive Liability	1,000,000
Commercial Umbrella	3,000,000
General liability	
Per occurrence	1,000,000
Aggregate	2,000,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

12. RISK MANAGEMENT (Continued)

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

B. Employee Medical, Dental, Vision and Life Insurance

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

C. Workers' Compensation

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (see Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan.

13. PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. PENSION PLANS (Continued)

Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$119,520, \$63,097 and \$58,829, respectively; 43.37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

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

A DB or Combined Plan member with five or more years 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 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$364,132, \$297,033 and \$264,280, respectively; 85.32 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. PENSION PLANS (Continued)

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, 2010, certain members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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 2010, 0.46 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 2010, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$14,140, \$38,563 and \$26,845, respectively; 43.37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$7,108, \$5,206 and \$4,239, respectively; 43.37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$28,010, \$22,849 and \$20,585, respectively; 85.32 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

15. OTHER EMPLOYEE BENEFITS

B. Employee Insurance Benefits

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

16. CONTINGENCIES

A. Grants

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

B. Litigation

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

17. STATUTORY RESERVES

The School District is required by State law to annually set-aside certain general fund cash receipt amounts, as defined by State statute, into a reserve for textbooks/instructional materials and an equal amount into a reserve for the acquisition and construction of capital improvements. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside Reserve Balance June 30,2009		
Current Year Set-aside Requirement	\$104,944	\$104,944
Current Year Qualifying Expenditures	(251,412)	(14,944)
Excess Qualifying Expenditures from Prior Years	(149,823)	
Current Year Offsets		(90,000)
Total	(296,291)	(90,000)
Balance Carried Forward to Fiscal Year 2011	(296,291)	
Set Aside Reserve Balance June 30, 2010	\$ 0	\$ 0

The School District had qualifying disbursements during the year and in prior years that reduced the set-aside amounts below zero for the textbook/instructional materials reserve. These extra amounts may be used to reduce the set-aside requirement for future years for the textbook/instructional materials. The negative amount is therefore presented as being carried forward to next fiscal year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

17. STATUTORY RESERVES (Continued)

The School District has also received monies that are restricted for school bus purchases. A schedule of the governmental fund restricted assets at June 30, 2010 follows:

Amount restricted for school bus purchases	<u>\$13,431</u>
--	-----------------

18. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor restricted endowments. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$8,412 and is included as held in trust for scholarships at June 30, 2010. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the monies should be used to provide a scholarship each year.

19. COMPONENT UNIT PAYABLE

At June 30, 2010, the Upper Scioto Wind/Energy Academy (Academy) owed the School District \$215,711 for Academy costs paid by the School District. The School District reported on May 25, 2011 that the balance owed to the School District was approximately \$200,000.

20. SUBSEQUENT FINANCIAL STATUS

The District's General Fund expenses outweighed revenues by \$2,123,113 in FY10 and by \$576,535 in FY11 (as of May 31, 2011), resulting in an estimated General Fund cash carryover balance of only \$30,000 at June 30, 2011. Thus, the District is projecting a General Fund deficit in FY12 of nearly \$400,000, as per the most recently filed (unaudited) 5-year forecast.

This page intentionally left blank.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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		\$14,403		\$14,403
Cash Assistance:					
National School Lunch Program	10.555	\$112,582		\$112,582	
School Breakfast Program	10.553	66,795		66,795	
Total Nutrition Cluster		<u>179,377</u>	<u>14,403</u>	<u>179,377</u>	<u>14,403</u>
Total United States Department of Agriculture		<u>179,377</u>	<u>14,403</u>	<u>179,377</u>	<u>14,403</u>
United States Department of Education					
(Passed through Ohio Department of Education)					
Title I Cluster					
Title I Grants to Local Educational Agencies	84.010	128,635		158,532	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	28,409		35,664	
Total Title I Cluster		<u>157,044</u>		<u>194,196</u>	
ARRA Special Education Grants to States, Recovery Act	84.391	90,863		181,870	
Safe and Drug-Free Schools and Communities	84.186	1,039		1,039	
Innovative Education Programs	84.298			1,543	
Education Technology State Grants	84.318	85			
Improving Teacher Quality State Grants	84.367	27,204		44,870	
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	273,993		132,775	
Javitis Gifted and Talented Students Education Grant Program	84.206	1,000			
Total United States Department of Education		<u>551,228</u>		<u>556,293</u>	
Total Federal Financial Assistance		<u>\$730,605</u>	<u>\$14,403</u>	<u>\$735,670</u>	<u>\$14,403</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, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

At June 30, 2010, the School District had no significant food commodities in inventory.

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County (the School District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 9, 2011, wherein we noted the School 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 School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-01 and 2010-02 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-06 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2010-01 through 2010-10.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated June 9, 2011.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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

June 9, 2011



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 the Upper Scioto Valley Local School District, (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

As described in findings 2010-11 and 2010-12 in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding *cash management* applicable to its ARRA State Fiscal Stabilization Fund (SFSF) – Education State Grants and *activities allowed or unallowed and allowable costs/cost principals* for its ARRA Special Education Grants to States major federal programs. Compliance with these requirements is necessary, in our opinion, for the School District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2010.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-11 and 2010-12 to be material weaknesses.

The School District's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the School District's responses and, accordingly, we express no opinion on them.

We also noted other matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated June 9, 2011.

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

June 9, 2011

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	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?	Yes
<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	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	ARRA Special Education Grants to States – Recovery Act CFDA 84.391, Title I Grants to Local Educational Agencies CFDA 84.010, ARRA Title I Grants to Local Educational Agencies – Recovery Act CFDA 84.389, ARRA State Fiscal Stabilization Fund Education State Grants (SFSF) CFDA 84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2010-01

Material Weakness / Noncompliance Citation

Ohio Rev. Code Section 3318.05(B) states, in part, school districts participating in the Classroom Facilities Assistance Program shall levy a tax at a rate of not less than one-half mill for each dollar of valuation to pay the cost of maintaining the Classroom Facilities acquired through the Classroom Facilities Assistance Program Project.

Ohio Rev. Code Section 3318.05(D) states, in part, that school districts are required to establish a separate fund to account for this maintenance funding and expenditures.

The School District established the required fund (034) to account for Maintenance Levy funding and expenditures for the Classroom Facilities Assistance Program. During fiscal year 2010, the School District expended a total of \$137,459 from Project Maintenance Fund 034 for improvements to the Alumni Field House and the Alger Building, however, neither of these buildings were acquired through the Classroom Facilities Assistance Program; therefore, these are not permissible expenditures from this fund.

The accompanying financial statements and the accounting records have been adjusted to reflect these disbursements in the correct funds. This adjustment had the following effect upon the respective fund balances:

	General Fund	Classroom Maintenance Fund
2010	(\$137,459)	\$137,459

The School District should implement monitoring procedures to help assure expenditures from the Classroom Maintenance Fund 034 are limited to improvements to facilities which were acquired through the Classroom Facilities Assistance Program Project to prevent unauthorized expenditures. The School District should periodically perform a detailed review of Classroom Maintenance Fund 034 disbursements to determine if they were allowable for this fund. Unallowable expenditures should be immediately reallocated to the appropriate fund or funds.

OFFICIALS' RESPONSE:

The unallowable expenditures have been reallocated to the appropriate fund.

FINDING NUMBER 2010-02

Material Weakness / Noncompliance Citation

Ohio Rev. Code Section 3318.08 states, in part, prior to project commencement, school districts participating in the Classroom Facilities Assistance Program must enter into a written agreement ("Project Agreement") with the Ohio School Facilities Commission. The Project Agreement is the contract between the School District and the Commission and requires all payments from Classroom Facilities Construction Fund 010 to evidence approval by both the School District and the Commission, as delegated to the construction manager. Payments from the Construction Fund are limited to: 1) professional design and administration services, 2) payments to contractors who have performed work, 3) purchases related to the Project, and 4) any transactions authorized necessary or appropriate for establishing and administering investment accounts.

**FINDING NUMBER 2010-02
 (Continued)**

Occasionally, districts will receive approval from the Commission for reimbursement of items that should have been project costs. If this is the case, the School District should have an approval letter on file from the Commission that should be presented to the auditor to substantiate the expenditure.

During fiscal year 2010, the School District expended \$275,404 from the Classroom Facilities Construction Fund 010. The fiscal year 2010 expenditures included \$51,784 from the State's share of the project costs and \$223,620 from the local share. The Ohio School Facilities Commission did not approve \$30,450 of the amount expended from the State share and did not approve \$220,353 expended from the local share. The unauthorized expenditures made from Classroom Facilities Construction Fund 010 during fiscal year 2010, totaling \$250,803, included disbursements for the green energy laboratory, renovations to the School District's Alger Building and renovations to the alumni field house, none of which were a part of the School District's Classroom Facilities Assistance Program Project.

The accompanying financial statements and the accounting records have been adjusted to reflect these disbursements in the correct funds. These adjustments had the following effect upon the respective fund balances:

	<u>General Fund</u>	<u>Classroom Facilities Construction – Local Share</u>	<u>Classroom Facilities Construction – State Share</u>
2010	(\$250,803)	\$220,353	\$30,450

To prevent additional unauthorized expenditures from Classroom Facilities Construction Fund 010, in accordance with the Project Agreement the School District should obtain evidence of approval from the Ohio School Facilities Commission prior to expending these funds. The School District should periodically perform a detailed review of expenditures from the Classroom Facilities Construction Fund to determine if they are allowable. Unallowable expenditures should be immediately reallocated to the appropriate fund or funds.

OFFICIALS' RESPONSE:

The unallowable expenditures have been reallocated to the appropriate fund.

FINDING NUMBER 2010-03

Finding for Recovery / Repaid Under Audit

Upper Scioto Valley Local School District Bylaws and Policies #4422, Benefits for Non-represented Staff, states salaries and fringe benefits for all classified staff members not covered by the terms of a currently valid negotiated, collectively-bargained agreement shall be determined by the contract the Board of Education has with the OPSE Local #668.

The Agreement between the Upper Scioto Valley Local School District Board of Education and the Ohio Association of Public School Employees (OPSE) Local #668 states employees must take their vacation in the year after it is earned - it shall not accumulate. If an employee has submitted for and been denied a vacation request at least three (3) times, then and only then will an employee be allowed to cash in any unused vacation time.

**FINDING NUMBER 2010-03
(Continued)**

Administrative Assistant Jennifer Rolston was considered a classified staff member not covered by the terms of a currently valid negotiated, collectively-bargained agreement and, therefore, her benefits are determined by the contract the Board has with the OPSE Local #668 in accordance with Upper Scioto Valley Local School District Bylaws and Policies #4422, above.

On July 31, 2009, Jennifer Rolston received compensation in the amount of \$1,147 for 10.5 accrued but unused vacation days without being denied vacation requests at least three (3) times in accordance with the negotiated agreement.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jennifer Rolston, Administrative Assistant, in the total amount of \$1,147 and in favor of the School District's General Fund.

This Finding for Recovery was repaid by Jennifer Rolston on June 7, 2011 with receipt number 993047.

OFFICIALS' RESPONSE:

Repayment has been made-see Receipt #993047, 6/7/2011

FINDING NUMBER 2010-04

Finding for Recovery / Repaid Under Audit

Upper Scioto Valley Local School District Bylaws and Policies #4422, Benefits for Non-represented Staff, states salaries and fringe benefits for all classified staff members not covered by the terms of a currently valid negotiated, collectively-bargained agreement shall be determined by the contract the Board of Education has with the OPSE Local #668.

The Agreement between the Upper Scioto Valley Local School District Board of Education and the Ohio Association of Public School Employees (OPSE) Local #668 states employees must take their vacation in the year after it is earned - it shall not accumulate. If an employee has submitted for and been denied a vacation request at least three (3) times, then and only then will an employee be allowed to cash in any unused vacation time.

EMIS Coordinator Karla Ritchey was considered a classified staff member not covered by the terms of a currently valid negotiated, collectively-bargained agreement and, therefore, her benefits are determined by the contract the Board has with the OPSE Local #668 in accordance with Upper Scioto Valley Local School District Bylaws and Policies #4422, above. On July 3, 2009, Karla Ritchey received compensation in the amount of \$441 for 4 accrued but unused vacation days without being denied vacation requests at least three (3) times in accordance with the negotiated agreement.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Karla Ritchey, EMIS Coordinator, in the total amount of \$441 and in favor of the School District's General Fund.

This Finding for Recovery was repaid by Karla Ritchey on June 8, 2011 with receipt number 993048.

OFFICIALS' RESPONSE:

Repayment has been made-see Receipt #993048, 6/8/2011

FINDING NUMBER 2010-05

Finding for Recovery

The addendum to the contract of the Superintendent, approved by the Board on February 1, 2010, which was retroactive to August 1, 2009, states that days worked in excess of 240 during a contract year, and not already compensated as holidays, vacation leave, or personal leave, shall be compensated at Superintendent's current per diem rate.

On September 7, 2010 the Superintendent submitted a list of seven extra days worked in excess of his 240 day contract. One of the extra days worked he submitted was May 31, 2010, or Memorial Day. On September 10, 2010 the Superintendent was paid for the aforementioned seven extra days of work, which included compensation in the amount of \$500 for working an extra day on Memorial Day.

The Superintendent received compensation in the amount of \$1,000 (\$500 holiday pay + \$500 compensation as an extra day worked) for May 31, 2010. The Superintendent's contract prohibits him from receiving payment for extra days worked which are already compensated as holidays. As a result, the Superintendent was overpaid \$500 (1 extra day at \$500 per day).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Rick Rolston, Superintendent, in the total amount of \$500 and in favor of the Upper Scioto Valley School District's General Fund in the amount of \$500.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Board Member Steve Lowery approved the pay-out for the extra days resulting in improper payment. Accordingly, Board Member Steve Lowery, and his bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the amount of \$500 and in favor of the General Fund.

OFFICIALS' RESPONSE:

District officials respectfully request that this finding for recovery not be made applicable to Board Member Steve Lowery for the reason that his "approval" of the expenditure in question was ministerial in nature and was not the exercise of any authority possessed by him that was different from that of any other Board member or District official.

Furthermore, it is requested that this finding for recovery be reclassified as "repaid under audit" in that Superintendent Rolston has indicated his intention to pay the full amount of this finding out of three per diem days presently remaining to his credit in the District.

**FINDING NUMBER 2010-05
(Continued)**

AUDITOR OF STATE'S CONCLUSION

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Because he authorized the payment, Board Member Steve Lowery is jointly and severally liable to the extent that recovery is not obtained from Mr. Rolston. There was no evidence to indicate this payment was approved by the Board of Education. The finding cannot be classified as "repaid under audit" unless there is evidence that the overpayment has been repaid to the School District.

FINDING NUMBER 2010-06

Noncompliance Citation / Significant Deficiency

The addendum to the contract of the Superintendent, approved by the Board on February 1, 2010, which was retroactive to August 1, 2009, states that days worked in excess of 240 during a contract year, and not already compensated as holidays, vacation leave, or personal leave, shall be compensated at Superintendent's current per diem rate. The Superintendent shall also be entitled to twenty vacation days per contract year and all or part of the vacation leave accrued but unused at the end of any calendar year may be exchanged for cash, at the option of the Superintendent, at his current per diem pay rate. In addition, the Superintendent shall accrue sick leave at the rate of 1.25 days per month under contract in accordance with state law and at the option of the Superintendent, all or part of the sick leave accrued but unused at the end of any calendar year, up to a maximum of 260 days, may be exchanged for cash at the Superintendent's current per diem pay rate.

On July 1, 2010, the Superintendent was paid for 35 extra days at \$500 per day for a total of \$17,500. On September 10, 2010 the Superintendent was paid for another seven extra days of which four days were compensated at \$500 per day and three were compensated at \$510.42 per day for a total of \$3,531.

In addition, the Auditor of State determined that the Superintendent received compensation for 20 days on which he was not engaged in School District related work (between December 2008 and June 2010), and for which leave time was not applied. On July 1, 2010, the Superintendent turned in 18 sick days and 14 vacation days at \$500 per day for a total of \$16,000. If sick and/or vacation leave would have been applied to the Superintendent's absences, not all of the unused leave balances exchanged for cash would have been available.

The only documented authorization for the payments made to the Superintendent for extra days worked and for unused sick and vacation leave were emails from the Board President to the Treasurer.

AG Op No 82-006 states "The determination of what constitutes a public purpose is primarily a legislative function. As such, the decision to expend public funds "...must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only."

Payments made to the Superintendent for days worked in excess of his 240 day contract and payments made to the Superintendent for unused sick and vacation leave were not formally approved by the Board of Education. In addition, there is no indication that the Board of Education authorized the Superintendent to work weekends in lieu of applying his leave balances to his absences.

**FINDING NUMBER 2010-06
(Continued)**

OFFICIALS' RESPONSE:

District officials would respectfully disagree only with the analysis presented in this noncompliance citation— specifically, the assertion that the payments for additional work days were not authorized by the legislative authority. As noted in the Auditor's discussion, the contract of the Superintendent expressly authorized payment for such additional days. This contract was approved by official Board action. Thus, it is only the documentation supporting the fact of such additional work days that is in question. In this regard, the Board will endeavor, as a matter of sound fiscal practice, to secure more extensive written documentation relating to additional work days (per diem days) beyond the contracted number.

AUDITOR OF STATE'S CONCLUSION

The decision to expend public funds "... must be made in accordance with the procedural formalities governing the exercise of legislative power." **AG Op No 82-006**. There was no documentation of a properly memorialized board resolution prior to the issuance of payment to the Superintendent for additional work days and unused sick and vacation leave. Further, without documentation supporting that the Superintendent was engaged in district business on extra work days, it is impossible to determine whether the payment was pursuant to a proper public purpose. In addition, there was no documentation of a resolution permitting the Superintendent to work weekends or other days that were not part of the 240 day contract instead of using leave for days absent from work.

FINDING NUMBER 2010-07

Noncompliance Citation / Ohio Ethics Commission (OEC) Referral / State Teachers Retirement System of Ohio (STRS) Referral

Ohio Rev. Code Section 2921.42(A)(1) and (4) states that no public official knowingly authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest or; have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

On February 1, 2010, the Upper Scioto Board of Education passed Resolution 2010-026 approving an addendum to the contract of Superintendent Rick Rolston, by a 4 to 1 vote with only Board member Holbrook in opposition. The addendum provides for, but is not limited to, the following:

- 20 paid vacation days per contract year all or a part of which accrued but unused at the end of any calendar year may be exchanged for cash at the Superintendent's current per diem rate.
- Sick leave accrual at the rate of 1.25 days per month all or a part of which accrued but unused at the end of any calendar year may be exchanged for cash at the Superintendent's current per diem rate.
- Payment for days worked in excess of the Superintendent's contract days at his current per diem rate.
- A salary increase from the current rate of \$85,000 per year to \$120,000 retroactive to August 1, 2009 through July 31, 2010. A subsequent increase to \$122,500 in 2010-2011 and 2011-2012.
- The Board of Education shall pay 100% of the employer and employee shares of STRS Ohio contributions, including pick-ups for all forms of compensation paid under this contract.

The Upper Scioto Valley Local School District Superintendent, Rick Rolston, provided written communication to the Board of Education dated May 3, 2010, informing them of the following:

**FINDING NUMBER 2010-07
(Continued)**

- Superintendent Rick Rolston plans to establish an endowment foundation to which he will contribute \$90,000 toward scholarships in the Board members' names.
- The Board members would have the opportunity to choose the type of student they would like to see considered for the scholarship, the Board members and their spouse would be asked to come forward on stage to present the scholarship to the student and get a picture with the student.
- Board members have the opportunity to be on the selection committee or the Endowment Board.
- These awards will be handed out at graduation in the Board members' names every year thereafter.

After describing the establishment of the endowment fund scholarships which would be in the Board Members' names, Mr. Rolston's written communication to the Board of Education states, "As I stated when I first talked with you after we solidify the budget I wanted to establish the foundation by you letting me also establish a strong retirement program".

Further, Mr. Rolston proceeded to describe a plan in which he would donate \$90,000 to the scholarship endowment over the next four years if the Board would pay him for extra work days and unused sick and vacation days. He indicated he planned to turn in 84 days in 2010, 78 days in 2011, 78 days in 2012 and 27 days in 2013, to be paid by the School District at his daily rate, in order to raise \$90,000 for the scholarship funds.

The communication from Superintendent Rick Rolston to the Board of Education dated May 3, 2010, appears to be in violation of **Ohio Rev. Code Section 2921.42(A)** above. Specifically, through his written communication, Mr. Rolston employed the authority of his office as Superintendent by offering the Board of Education benefits (scholarships in their names) to secure Board authorization of "a strong retirement program", Mr. Rolston had an interest in this new program, as evidenced by the fact, that an addendum to Mr. Rolston's contract included significant increases in compensation subject to STRS contributions. The four Board of Education members who voted in favor of Superintendent Rick Rolston's contract addendum and in return had scholarship funds established in their names or in the names of their family members are Judy Spradlin, Bill Lowery, Steve Lowery and Brian Moots.

This matter has been referred to the Ohio Ethics Commission and STRS Ohio.

OFFICIALS' RESPONSE:

District officials respectfully request that this non-financial finding be withdrawn for the reasons advanced in the letter and exhibits submitted by legal counsel for the District on June 17, 2011 and presented at the final audit conference held on June 20, 2011. In this connection, it is particularly worthy of note that at the final audit conference, a majority of the members of the Board of Education specifically indicated, without contradiction, that their vote to increase the salary of Dr. Rolston was not motivated by his stated intentions to make charitable contributions to the District. This is the "lynchpin" assumption on which this finding is based, and it was fully refuted at the audit conference.

Furthermore, this finding should be withdrawn for the basic reason that the Auditor's report does not allege any of the facts necessary to establish the existence of a finding for recovery under the Ohio Revised Code Section 117.28. Superintendent Rolston was hired in 2008 at a below-average salary for his position. Subsequently, he took on duties as an elementary school principal and maintenance supervisor, resulting in substantial savings to the District, and undertook large-scale projects that brought funding to the District and truly unique educational programs to its students.

**FINDING NUMBER 2010-07
(Continued)**

In recognition of his extraordinary efforts as Superintendent, the Board in February 2010 voted to give Superintendent Rolston a significant raise. As a graduate of Upper Scioto Valley High School and lifelong supporter of the District, Superintendent Rolston desired to give back to the community and subsequently indicated his desire months later via a memorandum to establish a scholarship fund. It is unfortunate the Auditor's office chooses to interpret Superintendent Rolston's demonstration of gratitude towards his hometown as improper.

If this finding cannot be withdrawn, it is requested that the next-to-last paragraph of the finding text be deleted. If this is a matter not within the purview of the State Auditor's jurisdiction, requiring referral to the other state agencies indicated, then the State Auditor should simply convey the relevant information to such agencies and not attempt to draw legal conclusions on matters not within the scope of his authority to determine.

AUDITOR OF STATE'S CONCLUSION

Inclusion of a referral to the Ohio Ethics Commission and STRS in an audit report does not represent a conclusion that illegal activity occurred. It is, rather an indication of information, which may warrant further investigation by the governing agency.

The possibility of the increase in wages in exchange for the establishment of a scholarship fund was brought to the attention of the Auditor of State on September 3, 2009 which is prior to the date of the letter from the Superintendent to the Board. The Auditor of State has consulted with the Ohio Ethics Commission and STRS Ohio and both agencies have expressed concern with this issue.

FINDING NUMBER 2010-08

Noncompliance Citation

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

Ohio Admin. Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

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.

FINDING NUMBER 2010-09

Noncompliance Citation

Ohio Rev. Code Section 3313.46(A) requires when a Board of Education determines to build, repair, enlarge, improve or demolish any school building with a cost in excess of \$25,000, the Board is required to prepare plans and specifications, advertise for bids once a week for at least two consecutive weeks in a newspaper of general circulation in the district prior to the date specified by the Board for receiving bids, open the bids at the time and place specified by the Board in the advertisement for bids, and award the contract to the lowest responsible bidder.

Also, the contract should be between the Board and the bidders. The Board is required to approve and retain estimates and make them available to the Auditor of State upon request. The requirements of this Ohio Rev. Code Section do not apply when: 1) there is an "urgent necessity"; and 2) in certain circumstances of cooperative purchasing.

Additionally, pursuant to **Ohio Rev. Code Section 3313.46(B)**, the requirements of this Section do not apply to: acquisition of educational materials used for teaching; any item which the Board, by a two-thirds vote, determines is available and can be obtained only through a single source; upon declaration of the Board, by a two-thirds vote, to exclude energy conservation measures; or acquisition of computer software or hardware for instructional purposes.

During fiscal year 2010 the School District failed to competitively bid the following projects subject to the competitive bidding requirements above:

- Whitta Construction was paid \$153,020 during fiscal year 2010 for renovations to the School District's building located in Alger to prepare the building for use by the Upper Scioto Wind Energy Academy.
- The School District entered into a contract with Northwest Ohio Security for \$67,134 to install security cameras and a security system at the McGuffey building. This contract was entered into during fiscal year 2009 and paid in fiscal year 2010.

The School District also entered into a construction contract with Whitta Construction during fiscal year 2010. The contract was for energy conservation measures and therefore, pursuant to Ohio Rev. Code Section 3313.46(B), was not required to be bid. The contract was awarded by the Board of Education on April 27, 2009. Contractor invoices indicate \$109,879 in change orders and extras which were not a part of the original contract were paid by the School District. However, the Board of Education's minutes do not evidence approval of the change orders.

The School District's Board should review all purchases that meet or exceed the competitive bidding level to determine if they are exempt from competitive bidding. If the purchase is determined not to be exempt, then either the Board needs to declare the project an urgent necessity if it meets the criteria or they need to competitively bid the purchase. In addition, all change orders to contracts should be approved by the Board. The School District minutes should document such actions.

OFFICIALS' RESPONSE:

The Board of Education endeavors to fully comply with ORC 3313.46 (A). Proper procedures are now in place to ensure contracts/projects are handled in accordance with ORC. Furthermore, any expenditure which exceeds the original amount of the agreement/contract must be properly authorized by the BOE prior to the issuance of payment.

FINDING NUMBER 2010-010

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the subdivision can authorize the drawing of a warrant for the payment of the amount due. The subdivision has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the subdivision.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The subdivision may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The School District did not properly certify twenty-three percent of the expenditures tested during fiscal year 2010, which included four instances where the expenditure lacked prior certification and five instances where the "Then and Now" certificate was utilized for expenditures in excess of \$3,000 but the Board did not approve the expenditure by resolution within 30 days.

The School District should certify that the funds are or will be available prior to the obligation to improve controls over disbursements and to help reduce the possibility of the School District's funds exceeding budgetary spending limitations. When prior certification is not possible, the Treasurer should prepare "then and now" certifications. If the "then and now" certification is \$3,000 or greater it should be approved by resolution by the Board of Education within thirty days of the certification.

**FINDING NUMBER 2010-010
 (Continued)**

OFFICIALS RESPONSE:

The District has improved procedures and is upholding policies regarding proper prior certification.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Noncompliance Citation / Material Weakness

Finding Number	2010-11
CFDA Title and Number	State Fiscal Stabilization Fund – Education State Grants – CFDA #84.394
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 C.F.R. § 80.20(b)(7), states when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make draw-downs as close as possible to the time of making disbursements.

The School District received advance payments of ARRA State Fiscal Stabilization Funds (SFSF) from the Ohio Department of Education (ODE) via the State Foundation Settlement Sheet. During the year, the School accumulated a positive cash balance in the SFSF fund due to the School not spending the cash received in a timely manner. At October 31, 2009, the School District's SFSF Fund had a month end cash balance of \$52,192. The month-end cash balances increased each month which resulted in a June 30, 2010 fiscal year-end balance of \$141,218.

The failure to spend federal grants in a timely manner could result in the School District being required to return funding to the grantor agency. The loss of federal grant money could negatively impact the operations of the School District.

The School District should implement procedures to help assure that the balances of federal grant funds are spent in a timely manner.

OFFICIALS RESPONSE:

All fund balances are monitored regularly to ensure proper and timely spending.

Noncompliance Citation / Questioned Costs / Material Weakness

Finding Number	2010-12
CFDA Title and Number	ARRA Special Education Grants to States – CFDA 84.391
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

**FINDING NUMBER 2010-012
(Continued)**

34 CFR Section 300.202(a)(2) states that the grant must be used only to pay the excess costs of providing special education and related services to children with disabilities. Targeted Assistance programs must provide direct services to special education and related services to children with disabilities.

The School District used ARRA Special Education Grant to States funding to pay for \$7,800 in Reading Recovery professional development and \$17,280 in various professional development courses.

Targeted Assistance programs must provide direct services to specific students that have been selected based on academic need. The expenditures identified above did not pertain to the Targeted Assistance programs or teachers. As a result, there are total questioned costs in the amount of \$25,280.

The School District should implement procedures to provide training and resources to those responsible for assuring compliance with the requirements of federal grants.

OFFICIALS RESPONSE:

The District has properly staffed and trained their financial office staff. All expenditures from Federal grants are carefully monitored to ensure compliance with the specific requirements of each grant.

This page intentionally left blank.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2009-01	Ohio Rev. Code Section. 3318.08 – Expended Classroom Facilities Assistance Program Fund 010 monies for unallowable purposes	No	Repeated as Finding 2010-02
2009-02	Ohio Rev. Code Section 3318.05(B) – Expended Maintenance Levy Fund 034 monies for unallowable purposes	No	Repeated as Finding 2010-01
2009-03	Ohio Rev. Code Section 117.28 – Finding for Recovery/Repaid Under Audit – Jim Bowser	Yes	
2009-04	Ohio Rev. Code Section 3319.01 – The Board should modify the Superintendent’s contract in accordance with this section, establish a policy to define a work day and should require the Superintendent to use leave when absent.	No	See related Finding 2010-05 and 2010-06
2009-05	Ohio Rev. Code Section 117.28 – Finding for Recovery/Repaid Under Audit – Martin Riggs	Yes	
2009-06	Ohio Rev. Code Section 117.38 & Ohion Admin. Code Section 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as Finding 2010-08
2009-07	Ohio Rev. Code Sections 121.22(C), 121.22(A), and 121.22(G)(1) – Open Meetings Act Requirements – The School District failed to specify the purpose for entering into executive session and failed to vote on any action to be taken on matters discussed in executive session.	Yes	
2009-08	Ohio Rev. Code Section 2921.42(A) – Ohio Ethics Commission Referral – Jim Bowser	N/A	Finding No Longer Applicable – the Referral was made in the prior year.

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FISCAL YEAR ENDED JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-10	<p>34 CFR 80.20 (b) (7)– State Fiscal Stabilization Fund All fund balances are monitored regularly to ensure proper and timely spending.</p>	Implemented July 1, 2010	Kristine Blind, Treasurer
2010-11	<p>34 CFR Section 300.202(a)(2) The District has properly staffed and trained their financial office staff. All expenditures from Federal grants are carefully monitored to ensure compliance with the specific requirements of each grant.</p>	Implemented July 1, 2010	Kristine Blind, Treasurer



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
SEPTEMBER 6, 2011