



Mary Taylor, CPA
Auditor of State

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County (the School District), as of and for the fiscal year ended June 30, 2008, 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, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in the cash financial position and the respective budgetary comparison for the General Fund 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 January 27, 2009, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management, regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 27, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The discussion and analysis of 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 fiscal year ended June 30, 2008, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2008 are as follows:

- In total, net assets increased \$917,301, a little over 32 percent. This increase is predominately related to General Fund activities. Although both revenues and expenditures decreased slightly from the prior fiscal year, revenues continue to exceed expenditures, therefore, providing for the overall increase.
- The School District's general receipts, those being primarily property taxes and unrestricted state entitlements, were approximately 85 percent of the total cash received during the fiscal year. This is comparable to the prior fiscal year.

Using the Basic Financial Statements

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

The School District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole School District.

Fund financial statements provide a greater 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 a single column. For the School District, the General Fund and Classroom Facilities Fund are the most significant funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, food services, extracurricular activities, and capital outlay disbursements.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Classroom Facilities Fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis accounting. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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 on the government-wide financial statements because the resources from these funds are not available to support the School District's programs.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007:

**Table 1
Net Assets**

	Governmental Activities		
	2008	2007	Change
Assets:			
Cash and Cash Equivalents	\$3,759,497	\$2,842,196	\$917,301
Net Assets:			
Restricted	1,308,799	1,303,291	5,508
Unrestricted	2,450,698	1,538,905	911,793
Total Net Assets	\$3,759,497	\$2,842,196	\$917,301

As mentioned previously, total net assets increased \$917,301, or a little over 32 percent, an increase primarily attributed to the General Fund. While the General Fund actually realized a slight decrease in receipts of less than 1 percent (approximately \$54,000) there was also a decrease in disbursements of almost 3 percent (approximately \$159,000).

Table 2 reflects the changes in net assets for fiscal year 2008 and fiscal year 2007.

**Table 2
Change in Net Assets**

	Governmental Activities		
	2008	2007	Change
Receipts:			
Program Receipts			
Charges for Services	\$372,687	\$370,150	\$2,537
Operating Grants and Contributions	705,098	707,727	(2,629)
Capital Grants and Contributions	13,463	16,101	(2,638)
Total Program Receipts	1,091,248	1,093,978	(2,730)
Property Taxes Levied for General Purposes	1,240,994	1,258,204	(17,210)
Property Taxes Levied for Classroom Maintenance	23,000	23,531	(531)
Property Taxes Levied for Debt Service	158,543	159,943	(1,400)
Income Taxes Levied for General Purposes	368,165	314,336	53,829
Grants and Entitlements	4,250,007	4,207,659	42,348
Interest	82,104	87,295	(5,191)
Rent	110,930	107,901	3,029
Miscellaneous	22,432	173,939	(151,507)
Total General Receipts	6,256,175	6,332,808	(76,633)
Total Receipts	7,347,423	7,426,786	(79,363)

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

	Governmental Activities		
	2008	2007	Change
Disbursements:			
Instruction:			
Regular	2,822,572	2,883,216	60,644
Special	808,190	820,534	12,344
Vocational		46,285	46,285
Support Services:			
Pupils	152,290	165,748	13,458
Instructional Staff	148,074	141,759	(6,315)
Board of Education	37,839	42,856	5,017
Administration	550,673	524,644	(26,029)
Fiscal	226,979	208,567	(18,412)
Operation and Maintenance of Plant	579,143	529,109	(50,034)
Pupil Transportation	386,114	333,240	(52,874)
Central	130,069	117,984	(12,085)
Non-Instructional Services			
Food Services	222,890	228,860	5,970
Extracurricular Activities	147,587	211,166	63,579
Capital Outlay	46,079	46,617	538
Debt Service:			
Principal Retirement	80,000	75,000	(5,000)
Interest and Fiscal Charges	91,623	94,223	2,600
Total Disbursements	<u>6,430,122</u>	<u>6,469,808</u>	<u>39,686</u>
Increase in Net Assets	917,301	956,978	(39,677)
Net Assets at Beginning of Year	<u>2,842,196</u>	<u>1,885,218</u>	<u>956,978</u>
Net Assets at End of Year	<u>\$3,759,497</u>	<u>\$2,842,196</u>	<u>\$917,301</u>

A review of the above table demonstrates that both program receipts and general receipts were very comparable to the prior year with only a slight decrease in receipts of approximately 1 percent. Program receipts are primarily represented by restricted intergovernmental receipts and charges for tuition, extracurricular activities, and food service sales. General receipts represent approximately 85 percent of the School District's total receipts, and of this amount, almost 68 percent is the result of unrestricted grants and entitlements which primarily represents State foundation resources. Property and income taxes basically make up the balance of the School District's general receipts (approximately 29 percent). Other receipts, such as interest and rent are very insignificant and are somewhat unpredictable revenue sources.

Overall, disbursements decreased less than 1 percent from the prior year. The major program disbursements for governmental activities are for instruction, which accounts for approximately 56 percent of all governmental disbursements. Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for approximately 11 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant expense, approximately 9 percent. Therefore, approximately 76 percent of the School District's disbursements are related to the primary functions of providing facilities and delivering education.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$2,822,572	\$2,883,216	\$2,634,417	\$2,657,441
Special	808,190	820,534	258,584	267,366
Vocational		46,285	(3,308)	43,311
Support Services:				
Pupils	152,290	165,748	152,290	165,748
Instructional Staff	148,074	141,759	148,074	141,759
Board of Education	37,839	42,856	37,839	42,856
Administration	550,673	524,644	550,673	524,644
Fiscal	226,979	208,567	226,979	208,567
Operation and Maintenance of Plant	579,143	529,109	579,143	529,109
Pupil Transportation	386,114	333,240	381,651	326,139
Central	130,069	117,984	116,069	103,984
Non-Instructional Services				
Food Services	222,890	228,860	(11,376)	(177)
Extracurricular Activities	147,587	211,166	50,137	149,243
Capital Outlay	46,079	46,617	46,079	46,617
Debt Service:				
Principal Retirement	80,000	75,000	80,000	75,000
Interest and Fiscal Charges	91,623	94,223	91,623	94,223
Total Disbursements	<u>\$6,430,122</u>	<u>\$6,469,808</u>	<u>\$5,338,874</u>	<u>\$5,375,830</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent as approximately 80 percent of instruction activities are supported through taxes and other general receipts. However, it should be noted that special instruction activities are largely provided for through program receipts, by 68 percent. This is the result of operating grants and contributions restricted for special instruction purposes.

The entire vocational instruction and food service programs were provided for through program receipts for fiscal year 2008. This is primarily due to the receipt of school foundation monies, cafeteria sales, and state and federal subsidies and donated commodities for food service. Over 66 percent of extracurricular activities disbursements are covered by program receipts. This is the result of music and athletic fees, ticket sales, and gate receipts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. Of the School District's two major funds, only the General Fund had significant changes from the prior fiscal year. The General Fund's increase in fund balance is simply due to the excess of receipts over disbursements as both receipts and disbursements were very similar to the prior fiscal year.

General Fund Budgeting Highlights

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

During fiscal year 2008, the School District amended its General Fund budget as needed. For receipts, changes from the original budget to the final budget as well as from the final budget to actual receipts were not significant. For disbursements, changes from the original budget to the final budget were not significant; however, there was approximately a 9 percent decrease from the final budget to actual disbursements due to conservative spending.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$20,823,665 in capital assets for governmental activities. This represents an insignificant change from fiscal year 2007. The School District is reflecting capital assets at cost. Donated capital assets are reflected at their fair market value as of the date received. For further information regarding the School District's capital assets, refer to Note 7 to the basic financial statements.

Debt

At June 30, 2008, the School District's outstanding debt included general obligation bonds, in the amount of \$1,874,999, issued for improvements to buildings and structures, and capital leases, in the amount of \$631,675, for facilities and equipment. For further information regarding the School District's debt, refer to Notes 12 and 13 to the basic financial statements.

Current Issues

The challenge for all school districts is to provide quality education with fewer monies available to spend. This is even truer for a rural district such as Upper Scioto Valley. We have very little industry to support the School District and must rely on local taxes and state support.

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 reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Maureen Scott, Treasurer, Upper Scioto Valley Local School District, P.O. Box 305, McGuffey, Ohio 45812.

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,758,459
Cash and Cash Equivalents with Fiscal Agent	1,038
Total Assets	3,759,497
Net Assets	
Restricted for:	
Capital Projects	739,460
Debt Service	290,838
Setasides	9,508
Classroom Maintenance Levy	140,433
Other Purposes	128,560
Unrestricted	2,450,698
Total Net Assets	\$3,759,497

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, 2008

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipt and Change In Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction:					
Regular	\$2,822,572	\$126,667	\$61,488		(\$2,634,417)
Special	808,190		549,606		(258,584)
Vocational			3,308		3,308
Support Services:					
Pupils	152,290				(152,290)
Instructional Staff	148,074				(148,074)
Board of Education	37,839				(37,839)
Administration	550,673				(550,673)
Fiscal	226,979				(226,979)
Operation and Maintenance of Plant	579,143				(579,143)
Pupil Transportation	386,114			\$4,463	(381,651)
Central	130,069		5,000	9,000	(116,069)
Food Services	222,890	148,570	85,696		11,376
Extracurricular Activities	147,587	97,450			(50,137)
Capital Outlay	46,079				(46,079)
Debt Service:					
Principal Retirement	80,000				(80,000)
Interest and Fiscal Charges	91,623				(91,623)
Total Governmental Activities	<u>\$6,430,122</u>	<u>\$372,687</u>	<u>\$705,098</u>	<u>\$13,463</u>	<u>(5,338,874)</u>

General Receipts

Property Taxes Levied for:

General Purposes	1,240,994
Classroom Maintenance	23,000
Debt Service	158,543
Income Taxes Levied for General Purposes	368,165
Grants and Entitlements not Restricted to Specific Programs	4,250,007
Interest	82,104
Rent	110,930
Miscellaneous	22,432
	<u>6,256,175</u>

Total General Receipts

6,256,175

Change in Net Assets

917,301

Net Assets at Beginning of Year

2,842,196

Net Assets at End of Year

\$3,759,497

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,450,698	\$381,426	\$912,364	\$3,744,488
Cash and Cash Equivalents with Fiscal Agent			1,038	1,038
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	13,971			13,971
Total Assets	<u>2,464,669</u>	<u>381,426</u>	<u>913,402</u>	<u>3,759,497</u>
Cash Fund Balances				
Reserved for Encumbrances	105,396		108,099	213,495
Reserved for Textbooks	9,508			9,508
Reserved for Bus Purchase	4,463			4,463
General Fund	2,345,302			2,345,302
Special Revenue Funds			194,250	194,250
Debt Service Fund			289,658	289,658
Capital Projects Funds		381,426	321,395	702,821
Total Cash Fund Balances	<u>\$2,464,669</u>	<u>\$381,426</u>	<u>\$913,402</u>	<u>\$3,759,497</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, 2008**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Cash Receipts				
Property Taxes	\$1,240,994		\$181,543	\$1,422,537
Income Taxes	368,165			368,165
Intergovernmental	4,503,921		464,594	4,968,515
Interest	79,674	\$464	2,019	82,157
Tuition and Fees	150,135		17,333	167,468
Extracurricular Activities			56,649	56,649
Charges for Services			148,570	148,570
Rent			110,930	110,930
Miscellaneous	16,583		5,849	22,432
Total Cash Receipts	<u>6,359,472</u>	<u>464</u>	<u>987,487</u>	<u>7,347,423</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	2,774,926		47,646	2,822,572
Special	623,273		184,917	808,190
Support Services:				
Pupils	97,441		54,849	152,290
Instructional Staff	124,374		23,700	148,074
Board of Education	37,839			37,839
Administration	521,735		28,938	550,673
Fiscal	221,022		5,957	226,979
Operation and Maintenance of Plant	505,576		73,567	579,143
Pupil Transportation	318,744		67,370	386,114
Central	116,069		14,000	130,069
Food Services			222,890	222,890
Extracurricular Activities	91,661		55,926	147,587
Capital Outlay	34,000		12,079	46,079
Debt Service:				
Principal Retirement			80,000	80,000
Interest and Fiscal Charges			91,623	91,623
Total Cash Disbursements	<u>5,466,660</u>	<u>464</u>	<u>963,462</u>	<u>6,430,122</u>
Net Change in Fund Balances	892,812	464	24,025	917,301
Fund Balances at Beginning of Year	<u>1,571,857</u>	<u>380,962</u>	<u>889,377</u>	<u>2,842,196</u>
Fund Balances at End of Year	<u>\$2,464,669</u>	<u>\$381,426</u>	<u>\$913,402</u>	<u>\$3,759,497</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
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
Receipts				
Property Taxes	\$1,208,236	\$1,240,236	\$1,240,994	\$758
Income Taxes	352,000	352,000	368,165	16,165
Intergovernmental	4,425,560	4,479,460	4,503,921	24,461
Interest	80,000	80,000	79,674	(326)
Tuition and Fees	173,800	159,300	150,135	(9,165)
Miscellaneous	6,000	8,000	15,956	7,956
Total Receipts	<u>6,245,596</u>	<u>6,318,996</u>	<u>6,358,845</u>	<u>39,849</u>
Disbursements				
Current:				
Instruction:				
Regular	2,402,423	2,384,499	2,151,015	233,484
Special	732,180	727,179	655,536	71,643
Vocational	3,487	3,487		3,487
Other	660,230	660,480	649,372	11,108
Support Services:				
Pupil	114,606	114,606	97,659	16,947
Instructional Staff	148,294	150,294	130,874	19,420
Board of Education	50,603	50,603	37,933	12,670
Administration	536,100	581,100	531,658	49,442
Fiscal	226,445	233,945	227,095	6,850
Operation and Maintenance of Plant	596,671	596,671	511,458	85,213
Pupil Transportation	345,851	345,851	320,302	25,549
Central	177,128	162,453	128,514	33,939
Non-Instructional Services	18	18	18	
Extracurricular Activities	97,235	107,235	91,841	15,394
Capital Outlay	28,000	28,000	34,000	(6,000)
Total Disbursements	<u>6,119,271</u>	<u>6,146,421</u>	<u>5,567,275</u>	<u>579,146</u>
Receipts Over (Under) Disbursements	126,325	172,575	791,570	618,995
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures		470	627	157
Refund of Prior Year Receipts		(5,000)	(4,781)	219
Transfers Out	(25,000)	(18,500)		18,500
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(23,030)</u>	<u>(4,154)</u>	<u>18,876</u>
Net Change in Fund Balance	101,325	149,545	787,416	637,871
Fund Balance at Beginning of Year	1,409,053	1,409,053	1,409,053	
Prior Year Encumbrances Appropriated	162,804	162,804	162,804	
Fund Balance at End of Year	<u>\$1,673,182</u>	<u>\$1,721,402</u>	<u>\$2,359,273</u>	<u>\$637,871</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, 2008

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$8,762</u>	<u>\$11,599</u>
Net Assets		
Held in Trust for Scholarships	<u>\$8,762</u>	
Held for Student Activities		<u>\$11,599</u>

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust</u>
Additions	
Contributions	\$250
Deductions	
Non-Instructional Services	<u>250</u>
Change in Net Assets	
Net Cash Assets at Beginning of Year	<u>8,762</u>
Net Cash Assets at End of Year	<u><u>\$8,762</u></u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 and federal guidelines.

The School District was established in 1929 through the consolidation of existing land areas and school districts. The School District serves an area of approximately ninety-five square miles. It is located in Auglaize, Hardin, and Logan Counties and includes all of the Villages of 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 545th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-seven classified employees, forty-seven certified teaching personnel, and four administrative employees who provide services to seven hundred thirty-three students and other community members. The School District currently operates one instructional building, one administration building, and one garage.

A. Reporting Entity:

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

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

The School District participates in three jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the Western Ohio Computer Organization, Ohio Hi-Point Joint Vocational School, Hardin County Schools Consortium Local Professional Development Committee, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, Ohio School Boards Association Workers' Compensation Group Rating Plan, and Alger Public Library of the Upper Scioto Valley School District. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Generally accepted accounting principles included all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

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

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

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 demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 School District's major funds are the General Fund and the Classroom Facilities Fund.

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 to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities Fund – The Classroom Facilities Fund is used account for the financial resources and associated expenses for the new school building. The balance in this fund represents money being held until two construction issues are resolved to the satisfaction of the School District.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

2. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust funds accounts for programs that provide college scholarships to 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 various student-managed activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is 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 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.

D. Budgetary Process

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The legal level of budgetary control has been established by the Board at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations below the legal level within all funds are made by the District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the 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 fiscal year with the restriction 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.

E. 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 School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents held for the School District by the Hardin County Educational Service Center are reflected as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2008, investments were limited to 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 share price, which is the price the investment could be sold for on June 30, 2008.

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 2008 was \$79,674, which included \$15,867 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to create a reserve for the purchase of textbooks and other instructional materials, and unexpended receipts restricted for the purchase of school buses.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these 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 used by the School District.

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2008, there were no net assets restricted by enabling legislation.

K. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, textbooks and bus purchases.

L. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

3. ACCOUNTABILITY AND COMPLIANCE

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

4. DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

Inactive deposits are public deposits 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 held by the School District may be deposited or invested in the following securities:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Banker's acceptances and commercial paper notes if training requirements have been met

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. 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.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$3,261,494 of the School District's bank balance of \$3,461,534 was exposed to custodial credit risk because it was uninsured and collateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

B. Investments

As of June 30, 2008, the carrying value of funds on deposit with Star Ohio was \$416,112. The School District's investments in Star Ohio have an average maturity of 53.8 days. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no policy for interest rate or credit risk beyond the requirements of state statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June.

First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received during calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received during calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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 during calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received during calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, 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 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2008 is 6.25 percent and zero for 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 counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$48,258,250	88.46%	\$49,980,840	88.43%
Industrial/Commercial	2,196,060	4.03	2,446,130	4.33
Public Utility	3,912,970	7.17	3,481,630	6.16
Tangible Personal	185,290	0.34	612,005	1.08
Total Assessed Value	<u>\$54,552,570</u>	<u>100.00%</u>	<u>\$56,520,605</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.90		\$34.80	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. INCOME TAX

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

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 758,835			\$ 758,835
Depreciable Capital Assets				
Land Improvements	1,426,790			1,426,790
Buildings and Building Improvements	16,807,488	\$ 4,312		16,811,800
Furniture, Fixtures, and Equipment	1,254,321	3,232		1,257,553
Vehicles	526,259	69,670	(\$27,242)	568,687
Total Depreciable Capital Assets	<u>20,014,858</u>	<u>77,214</u>	<u>(27,242)</u>	<u>20,064,830</u>
Total Capital Assets	<u>\$20,773,693</u>	<u>\$77,214</u>	<u>(\$27,242)</u>	<u>\$20,823,665</u>

8. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted for the following insurance coverage:

Building and Contents - Replacement Cost	\$31,919,325
Automobile Liability	1,000,000
Commercial Umbrella	3,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. RISK MANAGEMENT (Continued)

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Plan.

9. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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 DBP or CP 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 the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$264,280, \$273,689, and \$328,027 respectively; 86 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DCP and CP for the fiscal year 2008 were \$3,325 made by the School District and \$7,135 made by plan members.

B. School Employees Retirement System

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

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 2008, 9.16 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. 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, 2008, 2007 and 2006 were \$58,829, \$62,877 and \$66,362 respectively; 45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2008, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health 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 2008, 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, 2008, 2007, and 2006 were \$20,585, \$21,067, and \$25,278 respectively; 86 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$12,845.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$26,845, \$20,875, and \$23,159 respectively; 45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$4,239, \$4,276, and \$5,282 respectively; 45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

11. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Employee Insurance Benefits

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

12. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	<u>Interest Rate</u>	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>	<u>Due Within One Year</u>
General Long-Term Obligations						
General Obligation Bonds						
2002 School Improvement						
Serial and Term	2.10 – 5.25%	\$1,915,000		\$80,000	\$1,835,000	\$85,000
Capital Appreciation	16.78	39,999			39,999	
Total General Obligation Bonds		1,954,999		80,000	1,874,999	85,000
Other Long-Term Obligations						
Capital Leases		641,408		9,733	631,675	10,106
Total General Long-Term Obligations		<u>\$2,596,407</u>		<u>\$89,733</u>	<u>\$2,506,674</u>	<u>\$95,106</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

The capital appreciation bonds will mature in fiscal years 2012 and 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$200,000. At June 30, 2008, the total amount of these bonds including accretion was \$166,746.

The School District's overall debt margin was \$3,262,306 with an unvoted debt margin of \$53,850 at June 30, 2008.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008, were as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
2009	\$ 85,000			\$ 88,629	\$ 173,629
2010	90,000			85,257	175,257
2011	95,000			81,508	176,508
2012			\$21,608	157,930	179,538
2013			18,391	161,147	179,538
2014-2018	405,000	\$ 110,000		339,743	854,743
2019-2023		635,000		195,169	830,169
2024-2026		415,000		31,106	446,106
	<u>\$675,000</u>	<u>\$1,160,000</u>	<u>\$39,999</u>	<u>\$1,140,489</u>	<u>\$3,015,488</u>

13. CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for facilities and equipment.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2009	\$ 10,106	\$ 23,894
2010	10,494	23,506
2011	10,896	23,104
2012	11,314	22,686
2013	11,747	22,253
2014-2018	65,847	104,154
2019-2023	79,474	90,526
2024-2028	95,922	74,078
2029-2033	115,775	54,226
2034-2038	139,735	30,265
2039-2041	80,365	4,635
Present Value of Minimum Lease	<u>\$631,675</u>	<u>\$473,327</u>

14. SET ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. SET ASIDE REQUIREMENTS (Continued)

	Textbooks	Capital Improvements
Balance June 30, 2007	\$32,952	\$0
Current Year Set Aside Requirement	108,399	108,399
Qualifying Expenditures	(131,843)	(108,399)
Balance June 30, 2008	\$9,508	\$0

15. 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 \$8,762 and is included as held in trust for scholarships. 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.

16. JOINTLY GOVERNED ORGANIZATIONS

A. 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 2008, the School District paid \$39,306 to WOCO for various services. Financial information can be obtained from WOCO, 129 East Court Street, Sidney, Ohio 45365.

B. Ohio Hi-Point Joint Vocational School

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

C. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

17. INSURANCE POOLS

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

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

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

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

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

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

18. RELATED ORGANIZATION

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

19. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

19. CONTINGENCIES (Continued)

B. Litigation

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

20. SUBSEQUENT EVENTS

The Board of Education placed a one percent income tax levy on the November 2008 ballot in an attempt to prevent the fiscal year 2011 deficit predicted by the District's five-year forecast. This levy for additional funds did not pass during November 2008.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County (the School District), as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2009, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 27, 2009.

We intend this report solely for the information and use of the management and Board of Education. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

January 27, 2009

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2008

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

FINDING NUMBER 2008-001

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 Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2008, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

Officials Response:

Officials did not respond to the finding above.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2007-001	ORC Sec. 117.38 & OAC Sec. 117-2-03(B) –to prepare financial statements in accordance with GAAP	No	Repeated as Finding 2008-001



Mary Taylor, CPA
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
MARCH 5, 2009