



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2013
Fiscal Year Audited Under GAGAS: 2013



Dave Yost • Auditor of State

Board of Education
Scioto Valley Local School District
P. O. Box 600
Piketon, Ohio 45661

We have reviewed the *Independent Auditor's Report* of the Scioto Valley Local School District, Pike County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Scioto Valley Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 13, 2014

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SCIOTO VALLEY LOCAL SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
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Balestra, Harr & Scherer, CPAs, Inc.

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Independent Auditor's Report

Scioto Valley Local School District
P.O. Box 600
Piketon, Ohio 45661

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scioto Valley Local School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Scioto Valley Local School District, Pike County, Ohio, as of June 30, 2013, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2013, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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, the Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
November 26, 2013

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The discussion and analysis of the Scioto Valley Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2013 are as follows:

- Net position of governmental activities decreased \$1,091,752.
- General revenues accounted for \$13,204,212 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,700,043 or 17% of total revenues of \$15,904,255.
- The School District had \$16,996,007 in expenses related to governmental activities; only \$2,700,043 of these expenses were offset by program specific charges for services and sales, grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those 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.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in position. This change in net position is important because it tells the reader that, for the School District as a whole, the 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, required educational programs, and other factors.

- In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial statements 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 and the Bond and Coupon Fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating revenues over (under) operating expenses and changes in net position. Proprietary funds are classified as enterprise or internal service and the School District only has an internal service fund which is used to account for its self-insurance program for employee medical and dental claims. This fund is reported using the accrual basis of accounting.

Fiduciary Funds The School District's fiduciary fund is an agency fund. The School District's fiduciary fund is reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

Table 1
Net Position

	Table 1 Governmental Activities	
	2013	2012*
Assets		
Current and Other Assets	\$ 11,605,383	\$ 11,833,198
Capital Assets, Net	20,835,970	22,039,710
Total Assets	32,441,353	33,872,908
Liabilities		
Long-term Liabilities	2,122,962	2,265,443
Current and Other Liabilities	1,651,444	1,976,768
Total Liabilities	3,774,406	4,242,211
Deferred Inflows of Resources		
Property Taxes not Levied to Finance		
Current Year Operations	2,035,474	1,907,472
Net Position		
Net Investment in Capital Assets	19,371,788	20,457,358
Restricted	1,944,492	1,887,694
Unrestricted	5,315,193	5,378,173
Total Net Position	\$ 26,631,473	\$ 27,723,225

* Certain reclassifications were made to prior year balances to confirm to current GASB implementations. These reclasses had no effect on net position.

Total net position of the School District as a whole decreased \$1,091,752. Current and Other Assets decreased due primarily to a decrease to in equity in pooled cash and investments, which was partially offset by an increase in property taxes receivable. Current and Other liabilities decreased primarily due to a decrease in intergovernmental payable and claims payable. Capital Assets decreased due primarily to the current year depreciation and deletions, which were partially offset by capital asset additions.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 2 shows the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Table 2
Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 977,736	\$ 920,656
Operating Grants and Contributions	1,722,307	2,194,065
Total Program Revenues	<u>2,700,043</u>	<u>3,114,721</u>
General Revenues		
Property Taxes	2,153,652	2,114,194
Grants and Entitlements not Restricted	10,946,724	11,052,435
Gifts and Donations not Restricted	-	300
Investment Earnings	8,162	16,637
Gain on Sale of Capital Assets	6,000	-
Miscellaneous	89,674	101,626
Total General Revenues	<u>13,204,212</u>	<u>13,285,192</u>
Total Revenues	<u>15,904,255</u>	<u>16,399,913</u>
Program Expenses		
Instruction:		
Regular	7,086,505	7,221,706
Special	1,931,486	2,118,382
Other	16,113	22,913
Support Services:		
Pupil	725,049	743,709
Instructional Staff	841,383	1,040,635
Board of Education	14,738	17,415
Administration	2,013,079	1,816,985
Fiscal	368,483	356,099
Operation and Maintenance of Plant	1,586,560	1,665,538
Pupil Transportation	1,123,977	1,164,316
Central	118,727	214,700
Operation of Non-Instructional Services	629,501	645,288
Extracurricular Activities	436,017	421,060
Intergovernmental	46,766	48,000
Interest and Fiscal Charges	57,623	45,894
Total Expenses	<u>16,996,007</u>	<u>17,542,640</u>
Decrease in Net Position	<u>(1,091,752)</u>	<u>(1,142,727)</u>
Net Position, Beginning of Year	<u>27,723,225</u>	<u>28,865,952</u>
Net Position, End of Year	<u>\$ 26,631,473</u>	<u>\$ 27,723,225</u>

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The decrease in Operating Grants and Contributions is due primarily to decreases in the Race to the Top, Title VI-B, Education Jobs, and Title I programs. This decrease in monies resulted in a decrease to regular and special instruction and instructional staff in relation to these programs. The decrease in Grants and Entitlements not restricted was due to a decrease in foundation receipts. The overall decrease in expenses is due to close budgetary monitoring by the School District as a result of the aforementioned reductions in revenues.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2013		2012	
Program Expenses				
Instruction:				
Regular	\$ 7,086,505	\$ 6,683,001	\$ 7,221,706	\$ 6,434,870
Special	1,931,486	1,326,960	2,118,382	1,436,624
Other	16,113	15,241	22,913	21,723
Support Services:				
Pupil	725,049	664,358	743,709	682,446
Instructional Staff	841,383	573,149	1,040,635	701,642
Board of Education	14,738	13,941	17,415	16,510
Administration	2,013,079	1,904,163	1,816,985	1,722,624
Fiscal	368,483	347,329	356,099	324,088
Operation and Maintenance of Plant	1,586,560	1,377,400	1,665,538	1,441,417
Pupil Transportation	1,123,977	1,051,668	1,164,316	1,090,908
Central	118,727	107,832	214,700	205,358
Operation of Non-Instructional Services	629,501	(75,285)	645,288	23,071
Extracurricular Activities	436,017	243,069	421,060	267,953
Intergovernmental	46,766	5,515	48,000	12,791
Interest and Fiscal Charges	57,623	57,623	45,894	45,894
Total	<u>\$ 16,996,007</u>	<u>\$ 14,295,964</u>	<u>\$17,542,640</u>	<u>\$ 14,427,919</u>

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

THE SCHOOL DISTRICT FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$15,850,187 and expenditures and other financing uses of \$15,997,015. The School District remains financially stable in terms of healthy carryovers, ability to pay bills, and has no current operating levy needs.

The fund balance of the General fund decreased \$43,146. This fund balance decrease is due to transfers to the Internal Service Fund during 2013.

The fund balance of the Bond and Coupon Fund decreased by \$94,432 as tax monies are no longer being collected.

General Fund Budgeting Highlights

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. During the course of fiscal year 2013, the School District amended its General Fund budget.

For the General Fund, final budget basis revenue was \$13,857,366, which was above original estimates of \$13,760,808. The increase was attributed to increases to tuition and fees, proceeds from sale of assets and refunds of prior year expenditures. For the General Fund, final budget basis expenditures were \$14,342,780, which was above original estimates of \$13,436,509. The increase was due to an increase in instruction appropriations, instructional staff and transfers out appropriations.

The School District's ending unobligated General Fund cash balance was \$6,289,082.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013, the School District had \$20,835,970 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. For additional information on capital assets, see Note 8 to the basic financial statements. Table 4 shows fiscal year 2013 balances compared to 2012.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2013	2012
Land and Land Improvements	\$ 2,521,804	\$ 2,705,559
Buildings and Improvements	17,725,922	18,679,584
Furniture and Equipment	276,199	254,921
Vehicles	204,950	289,564
Infrastructure	107,095	110,082
Totals	\$ 20,835,970	\$ 22,039,710

Changes are a result of current year additions, deletions, and depreciation.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Debt

At June 30, 2013, the School District had general obligation refunding bonds outstanding of \$600,000, of which \$55,000 is due within one year. The bonds were issued to refund the classroom facilities general obligation bonds for school construction. The School District also had a capital lease obligation outstanding of \$864,182 of which \$64,433 is due within one year. The lease proceeds were used to finance the installation, construction and repair of energy conservation equipment. For additional information on debt, see Notes 12 and 13 to the basic financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and 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 any questions about this report or need additional financial information, contact Megan Williams, Treasurer, at Scioto Valley Local School District, P.O. Box 600, Piketon, Ohio 45661.

Scioto Valley Local School District
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 8,216,154
Cash with Fiscal Agents	20,000
Accrued Interest Receivable	6,040
Accounts Receivable	2,803
Intergovernmental Receivable	416,140
Property Taxes Receivable	2,944,246
Non-Depreciable Capital Assets	830,500
Depreciable Capital Assets, Net	20,005,470
 <i>Total Assets</i>	 32,441,353
Liabilities	
Accounts Payable	30,529
Accrued Wages and Benefits Payable	1,155,667
Accrued Interest Payable	2,010
Matured Bonds and Interest Payable	20,000
Claims Payable	116,000
Intergovernmental Payable	327,238
Long-Term Liabilities:	
Due Within One Year	230,897
Due In More Than One Year	1,892,065
 <i>Total Liabilities</i>	 3,774,406
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	2,035,474
 <i>Total Deferred Inflows of Resources</i>	 2,035,474
Net Position	
Net Investment in Capital Assets	19,371,788
Restricted for:	
Capital Projects	68,878
Debt Service	1,215,755
Set Asides	217,205
Classroom Facilities and Maintenance	267,976
Other Purposes	174,678
Unrestricted	5,315,193
 <i>Total Net Position</i>	 \$ 26,631,473

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 7,086,505	\$ 314,078	\$ 89,426	\$ (6,683,001)
Special	1,931,486	71,834	532,692	(1,326,960)
Other	16,113	872	-	(15,241)
Support Services:				
Pupil	725,049	37,829	22,862	(664,358)
Instructional Staff	841,383	30,922	237,312	(573,149)
Board of Education	14,738	797	-	(13,941)
Administration	2,013,079	108,916	-	(1,904,163)
Fiscal	368,483	19,714	1,440	(347,329)
Operation and Maintenance of Plant	1,586,560	73,835	135,325	(1,377,400)
Pupil Transportation	1,123,977	55,911	16,398	(1,051,668)
Central	118,727	6,132	4,763	(107,832)
Operation of Non-Instructional Services				
	629,501	163,960	540,826	75,285
Extracurricular Activities	436,017	92,936	100,012	(243,069)
Intergovernmental	46,766	-	41,251	(5,515)
Interest and Fiscal Charges	57,623	-	-	(57,623)
<i>Total Governmental Activities</i>	<u>\$ 16,996,007</u>	<u>\$ 977,736</u>	<u>\$ 1,722,307</u>	<u>(14,295,964)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				2,113,199
Classroom Facilities Maintenance				40,453
Grants and Entitlements not Restricted				
to Specific Programs				10,946,724
Gain on Sale of Capital Assets				6,000
Investment Earnings				8,162
Miscellaneous				89,674
<i>Total General Revenues</i>				<u>13,204,212</u>
<i>Change in Net Position</i>				(1,091,752)
<i>Net Position Beginning of Year</i>				<u>27,723,225</u>
<i>Net Position End of Year</i>				<u>\$ 26,631,473</u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2013

	General	Bond and Coupon Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 6,368,985	\$ 1,215,755	\$ 414,209	\$ 7,998,949
Cash with Fiscal Agents	-	20,000	-	20,000
Receivables:				
Accrued Interest	6,040	-	-	6,040
Property Taxes	2,885,101	-	59,145	2,944,246
Accounts	2,803	-	-	2,803
Intergovernmental	88,261	-	327,879	416,140
Restricted Assets:				
Equity in Pooled Cash and Investments	217,205	-	-	217,205
<i>Total Assets</i>	<u>\$ 9,568,395</u>	<u>\$ 1,235,755</u>	<u>\$ 801,233</u>	<u>\$ 11,605,383</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts Payable	\$ 29,929	\$ -	\$ 600	\$ 30,529
Accrued Wages and Benefits Payable	1,005,746	-	149,921	1,155,667
Matured Bonds and Interest Payable	-	20,000	-	20,000
Intergovernmental Payable	300,360	-	26,878	327,238
<i>Total Liabilities</i>	<u>1,336,035</u>	<u>20,000</u>	<u>177,399</u>	<u>1,533,434</u>
Deferred Inflows of Resources				
Property taxes not levied to finance current year operations	1,993,372	-	42,102	2,035,474
Unavailable Revenue - Delinquent Taxes	521,581	-	8,825	530,406
Unavailable Revenue - Grants	-	-	198,382	198,382
<i>Total Deferred Inflows of Resources</i>	<u>2,514,953</u>	<u>-</u>	<u>249,309</u>	<u>2,764,262</u>
Fund Balances				
Restricted	217,205	1,215,755	379,674	1,812,634
Assigned	291,855	-	-	291,855
Unassigned	5,208,347	-	(5,149)	5,203,198
<i>Total Fund Balances</i>	<u>5,717,407</u>	<u>1,215,755</u>	<u>374,525</u>	<u>7,307,687</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 9,568,395</u>	<u>\$ 1,235,755</u>	<u>\$ 801,233</u>	<u>\$ 11,605,383</u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2013*

Total Governmental Fund Balances		\$7,307,687
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,835,970
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	530,406	
Intergovernmental	198,382	
Total	728,788	728,788
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		(116,000)
Long-term liabilities, including bonds, capital leases, accrued interest, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(2,010)	
Compensated Absences	(658,780)	
Capital Lease Obligations	(864,182)	
General Obligation Refunding Bonds	(600,000)	
Total	(2,124,972)	(2,124,972)
Net Position of Governmental Activities		\$26,631,473

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Bond and Coupon Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,074,795	\$ -	\$ 39,785	\$ 2,114,580
Intergovernmental	10,937,036	-	1,685,249	12,622,285
Investment Earnings	8,126	-	36	8,162
Rent	3,104	-	-	3,104
Tuition and Fees	695,801	-	-	695,801
Extracurricular Activities	20,117	-	79,850	99,967
Gifts and Donations	-	-	13,667	13,667
Customer Sales and Services	14,904	-	163,960	178,864
Miscellaneous	88,241	-	1,433	89,674
<i>Total Revenues</i>	<u>13,842,124</u>	<u>-</u>	<u>1,983,980</u>	<u>15,826,104</u>
Expenditures				
Current:				
Instruction:				
Regular	5,760,057	-	101,381	5,861,438
Special	1,341,572	-	680,683	2,022,255
Other	16,113	-	-	16,113
Support Services:				
Pupil	697,505	-	25,918	723,423
Instructional Staff	556,256	-	268,689	824,945
Board of Education	14,738	-	-	14,738
Administration	2,008,330	-	-	2,008,330
Fiscal	365,214	-	1,632	366,846
Operation and Maintenance of Plant	1,376,579	-	143,929	1,520,508
Pupil Transportation	1,031,456	-	-	1,031,456
Central	101,206	-	5,400	106,606
Operation of Non-Instructional Services	-	-	623,533	623,533
Extracurricular Activities	241,838	-	113,382	355,220
Intergovernmental	-	-	46,766	46,766
Capital Outlay	45,936	-	-	45,936
Debt Service:				
Principal	63,170	55,000	-	118,170
Interest and Fiscal Charges	18,375	39,432	-	57,807
<i>Total Expenditures</i>	<u>13,638,345</u>	<u>94,432</u>	<u>2,011,313</u>	<u>15,744,090</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>203,779</u>	<u>(94,432)</u>	<u>(27,333)</u>	<u>82,014</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	6,000	-	-	6,000
Operating Transfers In	-	-	18,083	18,083
Operating Transfers Out	(252,925)	-	-	(252,925)
<i>Total Other Financing Sources (Uses)</i>	<u>(246,925)</u>	<u>-</u>	<u>18,083</u>	<u>(228,842)</u>
<i>Net Change in Fund Balances</i>	(43,146)	(94,432)	(9,250)	(146,828)
<i>Fund Balances Beginning of Year</i>	<u>5,760,553</u>	<u>1,310,187</u>	<u>383,775</u>	<u>7,454,515</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,717,407</u>	<u>\$ 1,215,755</u>	<u>\$ 374,525</u>	<u>\$ 7,307,687</u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$146,828)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.

Capital Asset Additions	45,936	
Current Year Depreciation	(1,249,676)	
Total	(1,203,740)	(1,203,740)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the gain on the disposal of capital assets and the proceeds from the sale of capital assets.

Proceeds from Sale of Capital Assets	(6,000)	
Gain on Disposal of Capital Assets	6,000	
Total	-	-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	39,072	
Intergovernmental	33,079	
Total	72,151	72,151

Repayment of bond and lease principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.

118,170

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

44,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in Compensated Absences	24,311	
Decrease in Interest Payable	184	

Total	24,495	
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Net Change in Net Position of Governmental Activities (\$1,091,752)

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$ 13,760,808	\$ 13,857,366	\$ 13,857,409	\$ 43
Total Expenditures and Other Uses	<u>13,436,509</u>	<u>14,342,780</u>	<u>14,342,780</u>	<u>-</u>
Net Change in Fund Balance	324,299	(485,414)	(485,371)	43
Fund Balance, July 1, 2012	6,414,332	6,414,332	6,414,332	-
Prior Year Encumbrances Appropriated	<u>360,121</u>	<u>360,121</u>	<u>360,121</u>	<u>-</u>
Fund Balance, June 30, 2013	<u>\$ 7,098,752</u>	<u>\$ 6,289,039</u>	<u>\$ 6,289,082</u>	<u>\$ 43</u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Fund Net Position
Governmental Activities - Internal Service Fund
June 30, 2013

	<u>Internal Service Fund</u>
Liabilities	
Current Liabilities:	
Claims Payable	<u>116,000</u>
<i>Total Liabilities</i>	<u>116,000</u>
Net Position	
Unrestricted	<u><u>\$ (116,000)</u></u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
*Statement of Revenues, Expenses and
 Changes In Fund Net Position*
 Governmental Activities - Internal Service Fund
 For the Fiscal Year Ended June 30, 2013

	Internal Service Fund
Operating Revenues	
Charges for Services	\$ 3,077,797
<i>Total Operating Revenues</i>	<i>3,077,797</i>
Operating Expenses	
Purchased Services	711,803
Claims Expense	2,556,836
<i>Total Operating Expenses</i>	<i>3,268,639</i>
Operating Loss Before Transfers	(190,842)
Transfers-In	234,842
<i>Net Change in Net Position</i>	44,000
<i>Net Position at Beginning of Year</i>	<i>(160,000)</i>
<i>Net Position at End of Year</i>	<i>\$ (116,000)</i>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Cash Flows
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2013

	Internal Service Fund
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
<i>Cash Flows for Operating Activities:</i>	
Cash Received from Transactions with Other Funds	\$ 3,077,797
Cash Payments to Suppliers for Services	(711,803)
Cash Payments for Claims	(2,600,836)
<i>Net Cash Used for Operating Activities</i>	(234,842)
<i>Cash Flows from Non-capital Financing Activities:</i>	
Transfers-In	234,842
<i>Net Change in Cash and Cash Equivalents</i>	-
<i>Cash and Cash Equivalents at Beginning of Year</i>	-
<i>Cash and Cash Equivalents at End of Year</i>	\$ -
<i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i>	
Operating Loss	\$ (190,842)
<i>Changes in Liabilities:</i>	
Decrease in Claims Payable	(44,000)
Total Adjustments	(44,000)
<i>Net Cash Used for Operating Activities</i>	\$ (234,842)

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2013

Assets	
Equity in Pooled Cash and Investments	<u>\$ 16,352</u>
<i>Total Assets</i>	<u>16,352</u>
Liabilities	
Undistributed Monies	<u>16,352</u>
<i>Total Liabilities</i>	<u><u>\$ 16,352</u></u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Scioto Valley Local School District (the "School District") operates under a locally-elected Board form of government and provides educational services as authorized by state or federal agencies. This Board controls the School District's four instructional/support facilities staffed by 65 non-certificated employees and 95 certificated full-time teaching personnel who provide services to 1,581 students and other community members.

Scioto Valley Local School District was established in January, 1960 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms. The School District serves an area of approximately 132.54 square miles. It is located in Pike County, including all of the Village of Piketon, Ohio, and portions of Camp Creek, Scioto, Seal, Sunfish, Pee Pee, and Newton Townships.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For 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 following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Village of Piketon
- Parent Teacher Organization
- Ross-Pike County Educational Service District

The School District is associated with two organizations which are defined as jointly governed organizations. These organizations are the South Central Ohio Computer Association Council of Governments and the Pike County Career Technology Center. These organizations are presented in Note 14 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Scioto Valley Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation

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

Government-wide Financial Statements:

The statement of net position 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 activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental and those that are classified as business-type. However, the School District has no activities that are classified as business-type.

The statement of net position presents the financial condition of governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues 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. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements:

During the 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 fund financial statements is on major funds rather than reporting funds by type. 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 fund 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 used by the School District can be classified using three categories: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities plus deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund

The General Fund is the general operating fund of the School District and is used to account for all financial resources not account for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond and Coupon Fund

The Bond and Coupon Fund is a debt service fund used to account for the accumulation of financial resources restricted, committed, or assigned for the payment of general long-term debt. The major source of revenue for this fund was tax levy proceeds.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund

The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee medical and dental claims.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The School District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows/outflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of the proprietary activity.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for proprietary and fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, interest, tuition, grants, and fees.

Deferred Outflows and Deferred Inflows of Resources

As more fully described in Note 20 to the basic financial statements, the School District has implemented both GASB Statement No. 63 and GASB Statement No. 65, effective for fiscal year 2013. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District did not have any deferred outflows as of June 30, 2013. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School these amounts consist of taxes and intergovernmental receivables which are not collected in the available period. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to monies not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts from the certificate of estimated resources in effect when the permanent appropriations were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over 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 Investments

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

During fiscal year 2013, the School District had investments in U.S. Treasury Notes, federal agency securities and money markets.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2013 amounted to \$8,126 to the General Fund and \$36 to the other non-major governmental funds.

For purposes of presentation on the financial statements, investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

The School District has \$20,000 in a bank account set aside for matured bonds and interest payable which is recorded as "Cash with Fiscal Agents."

The School District has recorded restricted cash in the basic financial statements for set asides for capital improvements. This cash is recorded in the basic financial statements as "restricted equity in pooled cash and investments". For more information on these set asides, see Note 15.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets, except land, are depreciated. Depreciable capital assets are depreciated using the straight-line method over an estimated useful life of 50 years for buildings and improvements, 5 to 15 years for furniture and equipment, 10 to 25 years for land improvements, 5 years for textbooks and library books, 6 to 10 years for vehicles and 5 years for infrastructure.

G. Interfund Activity

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. Interfund transfers within governmental activities are eliminated in the statement of activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services to the various funds to cover the costs of the self insurance program. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activities of the fund.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities, that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds are recognized as a liability on the government-wide financial statements when due.

K. Fund Balance

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

L. Estimates

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position 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 position restricted for other purposes include activities for food service operations and federal and state grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Of the School District's \$1,944,492 in restricted net position, none is restricted by enabling legislation.

N. Interfund Balances

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as either "due to/from other funds" or as "interfund receivable/payable." All unpaid reimbursements between funds are report as "due to/from other funds". These amounts are eliminated in the governmental activities column of the statement of net position.

NOTE 3 – ACCOUNTABILITY

At June 30, 2013, the Lunchroom and ATIP Non-major Special Revenue Funds had fund balance deficits of \$2,631 and \$2,518, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis); and
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$ (43,146)
Revenue Accruals	24,869
Expenditure Accruals	(151,550)
Perspective Difference:	
Activity of Funds Reclassed for GAAP Reporting Purposes	(157)
Encumbrances	<u>(315,387)</u>
Budget Basis	<u><u>\$ (485,371)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or 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. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

Deposits Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2013, the School District's bank balance of \$1,367,245 was either covered by the FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments As of June 30, 2013, the School District had the following investments:

	Fair Value	Less than 12 months	1-2 Years	3-5 Years
Federal Home Loan Mtg. Assoc. Notes	\$2,685,803	\$2,385,661	\$300,142	\$0
Federal Home Loan Bank Notes	1,252,318	0	1,252,318	0
Federal National Mtg. Assoc. Notes	2,380,545	401,174	753,813	1,225,558
US Treasury Note	730,485	730,485	0	0
Money Market	16,505	16,505	0	0
Total Investment Portfolio	\$7,065,656	\$3,533,825	\$2,306,273	\$1,225,558

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District’s investment policy does not address credit risk beyond the requirements of State law. The School District limits their investments to securities issued by federal government agencies or instrumentalities, and money market accounts. Investments in Federal Home Loan Mortgage Association Notes, Federal Home Loan Bank Notes, and Federal National Mortgage Association Notes, were rated AA+ by Standard & Poor’s and Aaa by Moody’s. Investments in money markets and US Treasury Notes were not rated.

Concentration of credit risk – The School District’s investment policy allows investments in: United States Treasury bills, notes, bonds or any other obligations issued by the United States Treasury; bonds, notes, debentures of any other obligations issued by federal government agencies; interim deposits to the extent that they are properly insured and collateralized; bonds and other obligations of the State; no-load money market mutual funds provided that investments in securities are made only through eligible financial institutions; written repurchase agreements; maximum of twenty five percent of the School District’s interim funds in commercial paper and/or bankers acceptances of banks that are insured by the FDIC; STAR Ohio; and certificates of deposit.

The School District has invested in securities issued by federal government agencies or instrumentalities. 99.7 percent of the School District’s investments are in U.S. Treasury notes, federal government agencies or instrumentalities; Federal Home Loan Mortgage Association Notes comprised 38.0 percent of these investments, Federal Home Loan Bank Notes comprised 17.7 percent, US Treasury Notes comprised 10.3 percent and Federal National Mortgage Association Notes comprised 33.7 percent. The remaining amount was invested in Money Market accounts.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District’s securities are either insured and registered in the name of the School District or at least registered in the name of the School District.

NOTE 6 - 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.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 6 - PROPERTY TAXES (continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$93,799,440	80.00%	\$116,705,950	99.59%
Public Utility	23,173,730	20.00%	484,230	0.41%
Total Assessed Value	<u>\$116,973,170</u>	<u>100.00%</u>	<u>\$117,190,180</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$27.60		\$27.60	

The School District receives property taxes from Pike County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2013 and for which there is an enforceable legal claim.

Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to unavailable revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2013, was \$144,916 in the General Fund and \$2,472 in the Classroom Facilities Maintenance Nonmajor Special Revenue Fund.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013, consisted of property taxes, interest, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Fund	Amount
General Fund	\$88,261
<i>Non-Major Special Revenue Funds:</i>	
Title I	213,693
Food Service	463
Race to the Top	9,510
Early Childhood Education	1,234
Title II-A	9,023
IDEA Special Education Part B	93,956
Total Non-Major Funds	327,879
Total All Funds	\$416,140

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	*Ending Balance 06/30/12	Additions	Deletions	Ending Balance 06/30/13
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 830,500	\$ -	\$ -	\$ 830,500
Total Capital Assets, Not Being Depreciated	830,500	-	-	830,500
Capital Assets Being Depreciated				
Land Improvements	4,045,998	-	-	4,045,998
Buildings and Improvements	32,270,782	-	-	32,270,782
Furniture and Equipment	1,229,114	45,936	(3,186)	1,271,864
Vehicles	2,353,160	-	(235,386)	2,117,774
Library Books and Textbooks	399,872	-	-	399,872
Infrastructure	149,342	-	-	149,342
Total Capital Assets, Being Depreciated	40,448,268	45,936	(238,572)	40,255,632
Less Accumulated Depreciation:				
Land Improvements	(2,170,939)	(183,755)	-	(2,354,694)
Buildings and Improvements	(13,643,698)	(901,162)	-	(14,544,860)
Furniture and Equipment	(921,693)	(77,158)	3,186	(995,665)
Vehicles	(2,063,596)	(84,614)	235,386	(1,912,824)
Library Books and Textbooks	(399,872)	-	-	(399,872)
Infrastructure	(39,260)	(2,987)	-	(42,247)
Total Accumulated Depreciation	(19,239,058)	(1,249,676)	238,572	(20,250,162)
Total Capital Assets Being Depreciated, Net	21,209,210	(1,203,740)	-	20,005,470
Governmental Activities Capital Assets, Net	\$ 22,039,710	\$ (1,203,740)	\$ -	\$20,835,970

* Certain reclassifications were made to beginning accumulated depreciation balances. These reclassifications had no effect on net position.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 8 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	992,174
Support Services:		
Instructional Staff		871
Administration		198
Operation and Maintenance of Plant		68,583
Pupil Transportation		90,677
Operation of Non-Instructional Services		16,376
Extracurricular Activities		80,797
Total Depreciation Expense	<u>\$</u>	<u>1,249,676</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted with Ohio School Plan for property and fleet insurance, professional liability insurance and inland marine coverage. Total coverage amounted to \$47,610,100 with a \$1,000 deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District did not have any significant reduction in insurance coverages for the current year.

Medical/surgical and dental insurance is offered to employees through a self-insurance program. The claims liability of \$116,000 reported in the Internal Service Fund at June 30, 2013 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

Changes in claims payable for the past two fiscal years are as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2012	\$662,000	\$2,369,310	\$2,871,310	\$160,000
2013	160,000	2,556,836	2,600,836	116,000

NOTE 10 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and 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 can be obtained on SERS' website, www.ohsers.org, under *Employers/Audit Resources*.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 10- DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

A. Defined Benefit Pension Plans - Continued

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$301,311, \$247,658, and \$312,893, respectively; 72 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. \$77,927 represents the unpaid contribution for fiscal year 2013 and is recorded as a liability within the respective funds.

State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 10- DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

A. Defined Benefit Pension Plans - Continued

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2013, 2012, and 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District’s contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$750,447, \$801,823, and \$816,407, respectively; 83 percent of the required contribution has been made for fiscal year 2013 and 100 percent of the required contribution has been made for fiscal years 2012 and 2011. \$124,826 represents the unpaid contribution for fiscal year 2013 and is recorded as a liability within the respective funds.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, none of the members of the Board of Education has elected Social Security. The Board’s liability is 6.2 percent of wages paid.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 10 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS
(continued)

B. Postemployment Benefits

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012 and 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$58,943, \$62,465, and \$62,721, for fiscal years 2013, 2012, and 2011, respectively, which equaled the required allocation for each year.

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. 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 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2013, 2012, and 2011, the actuarially required allocation was 0.74 percent, 0.75 percent, and 0.76 percent. For the School District, contributions for the years ended June 30, 2013, 2012, and 2011, were \$18,529, \$18,116, and \$19,179, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 10 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS
(continued)

B. Postemployment Benefits - Continued

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e).

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2013, 2012, and 2011, the health care allocations were 0.16 percent, 0.55 percent, and 1.43 percent, respectively. 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2013, 2012, and 2011 fiscal years equaled \$37,556, \$50,872, and \$74,530, respectively, which equaled the required allocation for each year.

The SERS 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 upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators 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 210 days for all personnel. Upon retirement and after being employed by the School District for three years, payment is made for twenty-five percent for classified employees and twenty-five percent for certified employees of accrued, but unused sick leave credit, up to a maximum of forty-five days.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through American United Life.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Principal Outstanding 06/30/12	Additions	Deductions	Principal Outstanding 06/30/13	Due Within One Year
Refunding Bonds - 2005 - 4.25%	\$ 655,000	\$ -	\$ 55,000	\$ 600,000	\$ 55,000
Capital Leases	927,352	-	63,170	864,182	64,433
Compensated Absences	683,091	680,198	704,509	658,780	111,464
Total Long-Term Obligations	<u>\$ 2,265,443</u>	<u>\$ 680,198</u>	<u>\$ 822,679</u>	<u>\$ 2,122,962</u>	<u>\$ 230,897</u>

On June 29, 2005, the Scioto Valley Local School District issued \$975,000 in refunding bonds at an annual interest rate of 4.25%. The bonds were issued for a 16 year period with the final maturity date being December 1, 2021. The bonds are being paid from property tax revenues received in the Bond Retirement Fund.

In connection with refunding bonds, the School District has pledged future tax revenues to repay this debt. However, the Debt Service funds on hand are sufficient to repay these bonds over the life of the refunding bonds.

Compensated absences will be paid from the fund from which the employees' salaries are paid, with the General Fund being the most significant.

The School District's voted legal debt margin was \$9,947,116 with an unvoted debt margin of \$117,190 at June 30, 2013.

Principal and interest requirements to retire general obligation debt outstanding June 30, 2013, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$55,000	\$24,331	\$79,331
2015	60,000	21,888	81,888
2016	60,000	19,338	79,338
2017	65,000	16,681	81,681
2018	65,000	13,919	78,919
2019-2022	295,000	25,819	320,819
Totals	<u>\$600,000</u>	<u>\$121,976</u>	<u>\$721,976</u>

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 13 – LEASE OBLIGATION

During a previous fiscal year, the School District entered into a lease for the installation, construction, and repair of energy conservation equipment. The lease is being paid from the General Fund. The annual requirements to amortize the lease obligation outstanding as of June 30, 2013 are as follows:

Year Ending June 30	Amount
2014	\$82,808
2015	84,096
2016	85,412
2017	86,752
2018	88,119
2019-2023	462,087
2024-2025	195,408
Total	1,084,682
Less: Amount Representing Interest	(220,500)
Present Value of Net Minimum Lease Payments	\$ 864,182

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association Council of Governments - The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 58 public education entities, 58 non-public education entities, and public libraries from 24 Ohio 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 SCOCA COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The School District paid SCOCA COG \$112,011 for services provided during the year. Financial information for SCOCA COG can be obtained from their fiscal office located at Pike County Career Technology Center, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

The Pike County Career Technology Center - The Pike County Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of the Pike County Board of Education and two representatives from the Waverly City Schools Board of Education, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pike County Career Technology Center, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 15 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Capital Improvements</u>
Set-aside Reserve Balance June 30, 2012	\$161,461
Current year set-aside requirement	256,106
Current year offsets	(115,627)
Current Year Qualifying Expenditures	<u>(84,735)</u>
Balance Carried Forward to Fiscal Year 2013	<u>\$217,205</u>
Set-aside Reserve Balance June 30, 2013	<u><u>\$217,205</u></u>

NOTE 16 - 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

The School District is party to legal proceedings. However, the School District is of the opinion that the ultimate disposition of claims will not have a material adverse effect, if any, on the financial condition of the School District.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 17 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2013, were as follows:

Fund	Transfer From	Transfer To
Major Fund:		
General	\$252,925	\$0
Non-major Special Revenue Funds:		
Athletic Fund	0	18,083
Total Non-major Funds	0	18,083
Internal Service Fund	0	234,842
 Total All Funds	 \$252,925	 \$252,925

The transfers were made from the General Fund (a major fund) to other funds to provide support for operating activities of those funds.

NOTE 18 - DEFERRED COMPENSATION

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 19 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond and Coupon	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for				
Other Purposes	\$0	\$0	\$34,888	\$34,888
Classroom Maintenance	0	0	275,939	275,939
Debt Services Payments	0	1,215,755	0	1,215,755
Capital Improvements	217,205	0	68,847	286,052
Total Restricted	<u>217,205</u>	<u>1,215,755</u>	<u>379,674</u>	<u>1,812,634</u>
Assigned to				
Other Purposes	291,855	0	0	291,855
Unassigned (Deficit)	<u>5,208,347</u>	<u>0</u>	<u>(5,149)</u>	<u>5,203,198</u>
Total Fund Balances	<u>\$5,717,407</u>	<u>\$1,215,755</u>	<u>\$374,525</u>	<u>\$7,307,687</u>

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For 2013, the School District implemented Governmental Accounting Standard Board (GASB) Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities.”

GASB Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these GASB Statements had no impact on beginning of year fund balance/net position; however, GASB Statements No. 63 and 65 did result in certain financial reporting changes for 2013.

Scioto Valley Local School District
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 321,172	\$ 31,111	\$ 321,172	\$ 31,111
School Breakfast Program	3L70	10.553	137,198	-	137,198	-
Total Nutrition Cluster			458,370	31,111	458,370	31,111
Total United States Department of Agriculture			458,370	31,111	458,370	31,111
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title 1 Grants to Local Educational Agencies	3M00	84.010	571,067	-	569,773	-
Total Title I, Part A Cluster			571,067	-	569,773	-
<i>Special Education Cluster (IDEA):</i>						
Special Education - Grants to States	3M20	84.027	245,693	-	263,742	-
Total Special Education Cluster			245,693	-	263,742	-
Rural Education	3Y80	84.358	26,281	-	25,918	-
Improving Teacher Quality State Grants	3Y60	84.367	115,830	-	115,569	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	133,799	-	143,218	-
Education Jobs Fund	3ET0	84.410	53,433	-	64,285	-
Total United States Department of Education			1,146,103	-	1,182,505	-
Total Federal Financial Assistance			<u>\$ 1,604,473</u>	<u>\$ 31,111</u>	<u>\$ 1,640,875</u>	<u>\$ 31,111</u>

See accompanying notes to the schedule of federal awards receipts and expenditures.

SCIOTO VALLEY LOCAL SCHOOL DISTRICT
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2013

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's 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 fair market value of the commodities received.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Scioto Valley Local School District
P.O. Box 600
Piketon, Ohio 45661

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scioto Valley Local School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 26, 2013, wherein we noted the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.

Piketon, Ohio

November 26, 2013



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Scioto Valley Local School District
P.O. Box 600
Piketon, Ohio 45661

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Scioto Valley Local School District's (the School District) compliance with the applicable 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 Scioto Valley Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Scioto Valley Local School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
November 26, 2013

Scioto Valley Local School District
Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Education Agencies – CFDA #84.010 State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act – CFDA #84.395
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Scioto Valley Local School District
Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2013

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted



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Independent Accountants' Report on Applying Agreed-Upon Procedures

Scioto Valley Local School District
P.O. Box 600
Piketon, Ohio 45661

To the Board of Education:

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

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

1. In our report dated October 19, 2012, we noted the Board adopted an anti-harassment policy on August 15, 2011. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. The Board amended the policy on November 18, 2013. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

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

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
November 26, 2013

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Dave Yost • Auditor of State

SCIOTO VALLEY LOCAL SCHOOL DISTRICT

PIKE 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 25, 2014