



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Independent Auditor's Report..... | 1 |
| Management's Discussion and Analysis | 3 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position – Cash Basis – June 30, 2013 | 13 |
| Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2013 | 14 |
| Fund Financial Statements: | |
| Statement of Assets and Fund Balances – Cash Basis - Governmental Funds – June 30, 2013 | 15 |
| Statement of Cash Receipts, Disbursements, and Changes in Fund Balances - Cash Basis - Governmental Funds – For the Fiscal Year Ended June 30, 2013 | 16 |
| Statement of Receipts, Disbursements, and Change in Fund Balance – Budget and Actual – Budgetary Basis - General Fund For the Fiscal Year Ended June 30, 2013 | 17 |
| Statement of Fiduciary Net Position – Cash Basis - Fiduciary Funds – June 30, 2013..... | 18 |
| Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Fund For the Fiscal Year Ended June 30, 2013 | 19 |
| Notes to the Basic Financial Statements..... | 21 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i> | 45 |
| Schedule of Findings | 47 |
| Schedule of Prior Audit Findings | 48 |
| Independent Accountants' Report on Applying Agreed-Upon Procedure | 49 |

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

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 the Upper Scioto Valley Local School District, Hardin County, Ohio (the District), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 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 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Scioto Valley Local School District, Hardin County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities, fund cash balances, general fund cash receipts, general fund cash disbursements, and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

January 21, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The management's discussion and analysis of the Upper Scioto Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- The total net cash position of the District increased \$1,273,896 or 102.71% from fiscal year 2012.
- General cash receipts accounted for \$6,825,075 or 83.86% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,313,607 or 16.14% of total governmental activities cash receipts.
- The District had \$6,864,786 in cash disbursements related to governmental activities; \$1,313,607 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily grants and entitlements not restricted to specific programs) of \$6,825,075 were adequate to provide for these programs.
- The District's major funds are the general fund, bond retirement fund and permanent improvement capital projects fund. The general fund, the District's largest major fund, had cash receipts and other financing sources of \$6,826,792 in 2013. The cash disbursements of the general fund, totaled \$5,691,902 in 2013. The general fund's cash balance increased \$1,134,890 or 288.35% from 2012 to 2013.
- The bond retirement fund, a District major fund, had cash receipts of \$235,042 in 2013. The bond retirement fund had cash disbursements of \$233,925 in 2013. The bond retirement fund cash balance increased \$1,117 or 0.31% from 2012 to 2013.
- The permanent improvement capital projects fund, a District major fund, had cash receipts of \$229,331 in 2013. The permanent improvement capital projects fund had cash disbursements of \$136,700 in 2013. The permanent improvement capital projects fund cash balance increased \$92,631 or 26.11% from 2012 to 2013.

Using this Basic Financial Statements (BFS)

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

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

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)

Reporting the District as a Whole

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

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2013?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement and permanent improvement capital projects fund. The analysis of the District's major governmental funds begins on page 15.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Governmental Funds

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

The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 17-18 of this report.

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

Recall that the statement of net position - cash basis provides the perspective of the District as a whole. The table below provides a summary of the District's net cash position at June 30, 2013 and June 30, 2012.

| | Net Cash Position | |
|--|---|---|
| | Governmental Activities 2013 | Governmental Activities 2012 |
| Assets: | | |
| Equity in pooled cash and cash equivalents | \$2,514,221 | \$1,240,325 |
| Total assets | 2,514,221 | 1,240,325 |
| Net Cash Position: | | |
| Restricted | 734,369 | 728,385 |
| Unrestricted | 1,779,852 | 511,940 |
| Total net cash position | \$2,514,221 | \$1,240,325 |

The total net cash position of the District increased \$1,273,896 which represents a 102.71% increase from fiscal year 2012. The increase in net position is due to slightly increased tax revenues and an overall decrease in expenditures in fiscal year 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

The balance of government-wide unrestricted net cash position of \$1,779,852 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash position for fiscal year 2013 and 2012.

| | Change in Net Cash Position | |
|---|---|---|
| | Governmental Activities 2013 | Governmental Activities 2012 |
| Cash Receipts: | | |
| Program cash receipts: | | |
| Charges for services and sales | \$ 350,850 | \$ 406,273 |
| Operating grants and contributions | 955,951 | 909,539 |
| Capital grants and contributions | 6,806 | 6,807 |
| Total program cash receipts | <u>1,313,607</u> | <u>1,322,619</u> |
| General cash receipts: | | |
| Property taxes | 1,921,505 | 1,762,355 |
| Income taxes | 367,797 | 342,433 |
| Unrestricted grants and entitlements | 4,289,296 | 4,286,880 |
| Investment earnings | 235,532 | 232,989 |
| Other | 10,945 | 23,835 |
| Sale of refunding bonds | | 1,564,999 |
| Premium on sale of refunding bonds | | 91,570 |
| Total general cash receipts | <u>6,825,075</u> | <u>8,305,061</u> |
| Total cash receipts | <u>8,138,682</u> | <u>9,627,680</u> |
| Cash Disbursements: | | |
| Instruction: | | |
| Regular | 3,000,312 | 3,571,190 |
| Special | 616,235 | 454,882 |
| Vocational | 4,676 | 22,013 |
| Other | | 25,290 |
| Support services: | | |
| Pupil | 285,960 | 97,726 |
| Instructional staff | 207,236 | 138,961 |
| Board of education | 14,585 | 10,128 |
| Administration | 472,668 | 749,097 |
| Fiscal | 248,749 | 260,465 |
| Central | 37,053 | 49,693 |
| Operations and maintenance | 640,261 | 798,664 |
| Pupil transportation | 458,493 | 489,513 |
| Central | 89,158 | 121,093 |
| Operation of non-instructional services: | | |
| Food service operations | 312,618 | 336,260 |
| Other non-instructional services | | 533 |
| Extracurricular | 218,863 | 228,700 |

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

| | Change in Net Cash Position | |
|--|---|---|
| | Governmental Activities 2013 | Governmental Activities 2012 |
| Debt service: | | |
| Principal retirement | 185,000 | 145,000 |
| Interest and fiscal charges | 72,919 | 79,976 |
| Bond issuance costs | | 51,899 |
| Payment to refunded bond escrow agent | | 1,604,670 |
| Total cash disbursements | <u>6,864,786</u> | <u>9,235,753</u> |
| Change in net cash position | 1,273,896 | 391,927 |
| Net cash position at beginning of year | <u>1,240,325</u> | <u>848,398</u> |
| Net cash position at end of year | <u>\$2,514,221</u> | <u>\$1,240,325</u> |

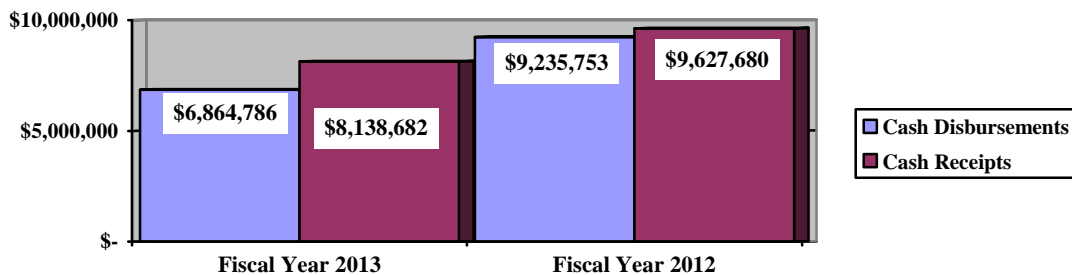
Governmental Activities

Governmental cash position increased by \$1,273,896 in fiscal year 2013 from fiscal year 2012. Total governmental disbursements of \$6,864,786 were offset by program receipts of \$1,313,607 and general receipts of \$6,825,075. Program receipts supported 19.14% of the total governmental disbursements. The largest governmental disbursements were instructional expenditures which totaled \$3,621,223 or 52.75% of total governmental expenditures.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 80.83% of total governmental receipts. Real estate property is reappraised every six years.

The graph below shows the District governmental activities cash receipts and cash disbursements for fiscal years 2013 and 2012.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



The table below shows the total cost of services and the net cost of services, (e.g. the cost of those services supported by general revenues of the District) for fiscal years 2013 and 2012:

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

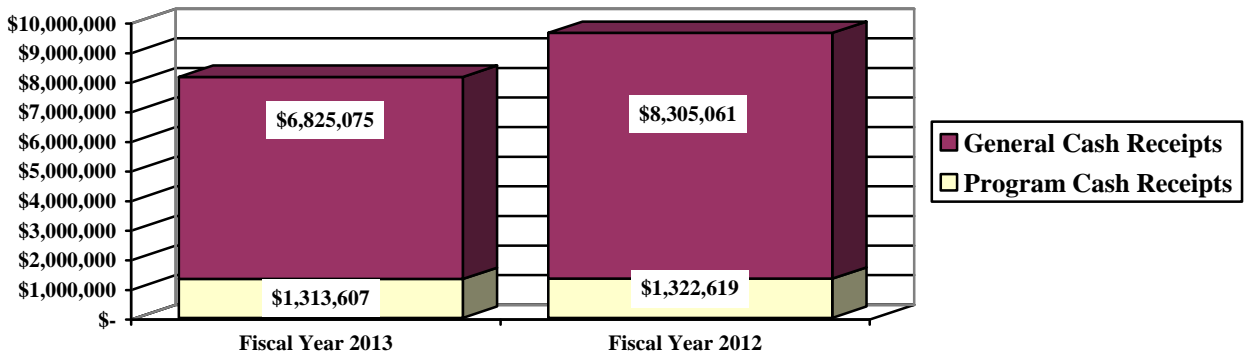
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

| | Governmental Activities | | | |
|---|--|--|--|--|
| | Total Cost of Services 2013 | Net Cost of Services 2013 | Total Cost of Services 2012 | Net Cost of Services 2012 |
| Cash disbursements: | | | | |
| Instruction: | | | | |
| Regular | \$3,000,312 | \$2,678,308 | \$3,571,190 | \$3,151,518 |
| Special | 616,235 | 135,985 | 454,882 | 129,351 |
| Vocational | 4,676 | (1,474) | 22,013 | (2,615) |
| Other | | | 25,290 | 20,104 |
| Support services: | | | | |
| Pupil | 285,960 | 262,126 | 97,726 | 55,260 |
| Instructional staff | 207,236 | 186,485 | 138,961 | 137,439 |
| Board of education | 14,585 | 14,585 | 10,128 | 10,128 |
| Administration | 472,668 | 463,705 | 749,097 | 715,982 |
| Fiscal | 248,749 | 248,749 | 260,465 | 260,465 |
| Business | 37,053 | 37,053 | 49,693 | 49,693 |
| Operations and maintenance | 640,261 | 602,355 | 798,664 | 735,116 |
| Pupil transportation | 458,493 | 443,386 | 489,513 | 475,531 |
| Central | 89,158 | 79,009 | 121,093 | 115,693 |
| Operation of non-instructional services: | | | | |
| Food service operations | 312,618 | (20,019) | 336,260 | 26,338 |
| Operation of non-instruction | | | 533 | 533 |
| Extracurricular | 218,863 | 163,007 | 228,700 | 151,053 |
| Debt service: | | | | |
| Principal retirement | 185,000 | 185,000 | 145,000 | 145,000 |
| Interest and fiscal charges | 72,919 | 72,919 | 79,976 | 79,976 |
| Bond issuance costs | | | 51,899 | 51,899 |
| Payment to refunded bond escrow | | | 1,604,670 | 1,604,670 |
| Total | \$6,864,786 | \$5,551,179 | \$9,235,753 | \$7,913,134 |

The dependence upon general cash receipts for governmental activities is apparent; with 80.86% of cash disbursements supported through taxes and other general cash receipts during 2013.

The graph below shows the District's governmental activities general receipts and program receipts for fiscal years 2013 and 2012.

Governmental Activities - General and Program Cash Receipts



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The District's governmental funds reported a combined fund cash balance of \$2,514,221 which is \$1,273,896 greater than last year's total of \$1,240,325. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2013 and June 30, 2012.

| | Fund Cash Balance June 30, 2013 | Fund Cash Balance June 30, 2012 | Increase |
|------------------------------------|--|--|--------------------|
| General | \$1,528,471 | \$ 393,581 | \$1,134,890 |
| Bond retirement | 366,767 | 365,650 | 1,117 |
| Permanent improvement | 447,376 | 354,745 | 92,631 |
| Other non-major governmental funds | 171,607 | 126,349 | 45,258 |
| Total | \$2,514,221 | \$1,240,325 | \$1,273,896 |

General Fund

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$6,826,792 in fiscal year 2013. The cash disbursements of the general fund, totaled \$5,691,902 in fiscal year 2013. The general fund's cash balance increased \$1,134,890 or 288.35% from fiscal year 2012 to fiscal year 2013.

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

| | 2013 Amount | 2012 Amount | Percentage Change |
|-------------------------|------------------------|------------------------|------------------------------|
| Cash Receipts: | | | |
| Property taxes | \$1,689,383 | \$1,517,404 | 11.33 % |
| Income taxes | 367,797 | 342,433 | 7.41 % |
| Tuition | 103,492 | 170,296 | (39.23) % |
| Earnings on investments | 12,533 | 10,334 | 21.28 % |
| Miscellaneous | 71,835 | 88,778 | (19.08) % |
| Intergovernmental | 4,576,752 | 4,605,108 | (0.62) % |
| Total | \$6,821,792 | \$6,734,353 | 1.30 % |

Property taxes increased due to an increase in assessed values on which calendar year 2013 property tax receipts were based, affecting the second half of the District's fiscal year. Tuition receipts decreased due to a decrease in open enrollment. The District's increase in investment earnings was due to an increase in the income generated from the District's farm land. The District also experienced a decrease in miscellaneous receipts. All other cash receipts remained comparable to fiscal year 2012.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

| | <u>2013 Amount</u> | <u>2012 Amount</u> | <u>Percentage Change</u> |
|------------------------------|------------------------|------------------------|------------------------------|
| Cash Disbursements: | | | |
| Instruction | \$3,281,118 | \$3,804,612 | (13.76) % |
| Support services | 2,211,933 | 2,362,852 | (6.39) % |
| Operation of non-instruction | | 533 | (100.00) % |
| Extracurricular | 171,111 | 183,150 | (6.57) % |
| Principal retirement | 15,000 | 15,000 | % |
| Interest and fiscal charges | 12,740 | 13,532 | (5.85) % |
| Total | <u>\$5,691,902</u> | <u>\$6,379,679</u> | (10.78) % |

Instruction services decreased 13.76 percent due to prudent and careful planning by the District, primarily due to decreases in regular instruction and other instruction disbursements. All other cash disbursements remained comparable to fiscal year 2012. Overall, cash disbursements decreased \$687,777 from 2012.

Bond Retirement Fund

The bond retirement fund, a District major fund, had cash receipts of \$235,042 in fiscal year 2013. The bond retirement fund had cash disbursements of \$233,925 in fiscal year 2013. The bond retirement fund cash balance increased \$1,117 or 0.31% from fiscal year 2012 to fiscal year 2013.

Permanent Improvement Fund

The permanent improvement capital projects fund, a District major fund, had cash receipts of \$229,331 in fiscal year 2013. The permanent improvement capital projects fund had cash disbursements of \$136,700 in fiscal year 2013. The permanent improvement capital projects fund cash balance increased \$92,631 or 26.11% from fiscal year 2012 to fiscal year 2013.

Budgeting Highlights - General Fund

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

For the general fund, final budget basis receipts and other financing sources were \$6,857,012 which was \$109,671 greater than original budget estimates and other financing sources of \$6,747,341. Actual cash receipts and other financing sources of \$6,860,258 were more than final budget estimates by \$3,246. The final budgetary basis disbursements of \$6,695,113 were less than original budget estimates of \$6,700,695. The actual budgetary basis disbursements and other financing uses of \$5,867,115 were \$827,998 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had no facilities acquisition and construction disbursements during fiscal year 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2013 and 2012.

| | Governmental Activities 2013 | Governmental Activities 2012 |
|-----------------------------|---|---|
| General obligation bonds | \$1,539,996 | \$1,664,057 |
| Energy conservation notes | 475,000 | 505,000 |
| Lease-purchase obligation | 235,000 | 250,000 |
| Capital lease | 577,118 | 588,865 |
| Total long-term obligations | <u>\$2,827,114</u> | <u>\$3,007,922</u> |

Current Financial Related Activities

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

Contacting the District's Financial Management

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

This page intentionally left blank.

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

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$2,514,221 |
| Total assets | <u>2,514,221</u> |
| Net cash position: | |
| Restricted for: | |
| Capital projects | 195,995 |
| Debt service | 366,767 |
| Classroom facilities maintenance | 125,438 |
| State funded programs | 2,343 |
| District managed student activities | 25,181 |
| Other purposes | 18,645 |
| Unrestricted | 1,779,852 |
| Total cash net position | <u>\$2,514,221</u> |

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Disbursements | Program Receipts | | | Net (Disbursements) Receipts and Changes in Net Position Governmental Activities |
|---|--------------------|-----------------------------------|---------------------------------------|-------------------------------------|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$3,000,312 | \$132,872 | \$189,132 | | (\$2,678,308) |
| Special | 616,235 | | 480,250 | | (135,985) |
| Vocational | 4,676 | | 6,150 | | 1,474 |
| Support services: | | | | | |
| Pupil | 285,960 | | 23,834 | | (262,126) |
| Instructional staff | 207,236 | | 20,751 | | (186,485) |
| Board of education | 14,585 | | | | (14,585) |
| Administration | 472,668 | | 8,963 | | (463,705) |
| Fiscal | 248,749 | | | | (248,749) |
| Business | 37,053 | | | | (37,053) |
| Operations and maintenance | 640,261 | 31,100 | | \$6,806 | (602,355) |
| Pupil transportation | 458,493 | | 15,107 | | (443,386) |
| Central | 89,158 | | 10,149 | | (79,009) |
| Operation of non-instructional services: | | | | | |
| Food service operations | 312,618 | 131,022 | 201,615 | | 20,019 |
| Extracurricular activities | 218,863 | 55,856 | | | (163,007) |
| Debt Service | | | | | |
| Principal retirement | 185,000 | | | | (185,000) |
| Interest and fiscal charges | 72,919 | | | | (72,919) |
| Total governmental activities | <u>\$6,864,786</u> | <u>\$350,850</u> | <u>\$955,951</u> | <u>\$6,806</u> | <u>(5,551,179)</u> |

General receipts:

Property taxes levied for:

| | |
|---|------------------|
| General purposes | 1,689,383 |
| Classroom maintenance | 25,129 |
| Debt service | 206,993 |
| Income taxes levied for general purposes: | 367,797 |
| Grants and entitlements not restricted to specific programs | 4,289,296 |
| Investment earnings | 235,532 |
| Miscellaneous | 10,945 |
| Total general receipts | <u>6,825,075</u> |

| | |
|--|--------------------|
| Change in net cash position | 1,273,896 |
| Net cash position at beginning of year | <u>1,240,325</u> |
| Net cash position at end of year | <u>\$2,514,221</u> |

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013**

| | <u>General</u> | <u>Bond Retirement</u> | <u>Permanent Improvement</u> | <u>Non-major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|--------------------|----------------------------|----------------------------------|---|---|
| Assets: | | | | | |
| Equity in pooled cash and cash equivalents: | \$1,528,471 | \$366,767 | \$447,376 | \$171,607 | \$2,514,221 |
| Total assets | <u>1,528,471</u> | <u>366,767</u> | <u>447,376</u> | <u>171,607</u> | <u>2,514,221</u> |
| Cash fund balances: | | | | | |
| Restricted: | | | | | |
| Debt service | | 366,767 | | | 366,767 |
| Capital improvements | | | 195,995 | | 195,995 |
| Classroom facilities maintenance | | | | 125,438 | 125,438 |
| Food service operations | | | | 18,465 | 18,465 |
| Other purposes | | | | 2,523 | 2,523 |
| Extracurricular | | | | 25,181 | 25,181 |
| Committed: | | | | | |
| Capital improvements | | | 251,381 | | 251,381 |
| Assigned: | | | | | |
| Student instruction | 10,808 | | | | 10,808 |
| Student and staff support | 133,422 | | | | 133,422 |
| Other purposes | 222 | | | | 222 |
| Unassigned | 1,384,019 | | | | 1,384,019 |
| Total cash fund balances | <u>\$1,528,471</u> | <u>\$366,767</u> | <u>\$447,376</u> | <u>\$171,607</u> | <u>\$2,514,221</u> |

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | General | Bond Retirement | Permanent Improvement | Non-major Governmental Funds | Total Governmental Funds |
|---|--------------------|------------------|-----------------------|------------------------------|--------------------------|
| Cash Receipts: | | | | | |
| From local sources: | | | | | |
| Property taxes | \$1,689,383 | \$206,993 | | \$25,129 | \$1,921,505 |
| Income taxes | 367,797 | | | | 367,797 |
| Tuition | 103,492 | | | | 103,492 |
| Earnings on investments | 12,533 | 361 | \$222,525 | 121 | 235,540 |
| Charges for services | | | | 131,022 | 131,022 |
| Extracurricular | 4,489 | | | 51,367 | 55,856 |
| Classroom materials and fees | 29,380 | | | | 29,380 |
| Rental income | 31,100 | | | | 31,100 |
| Other local revenues | 6,866 | 2,941 | | 1,138 | 10,945 |
| Intergovernmental - intermediate | | | | 3,850 | 3,850 |
| Intergovernmental - state | 4,550,659 | 24,747 | | 43,903 | 4,619,309 |
| Intergovernmental - federal | 26,093 | | 6,806 | 595,987 | 628,886 |
| Total cash receipts | <u>6,821,792</u> | <u>235,042</u> | <u>229,331</u> | <u>852,517</u> | <u>8,138,682</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 2,814,926 | | | 185,386 | 3,000,312 |
| Special | 461,516 | | | 154,719 | 616,235 |
| Vocational | 4,676 | | | | 4,676 |
| Support services: | | | | | |
| Pupil | 263,093 | | | 22,867 | 285,960 |
| Instructional staff | 186,510 | | | 20,726 | 207,236 |
| Board of education | 14,585 | | | | 14,585 |
| Administration | 464,760 | | | 7,908 | 472,668 |
| Fiscal | 225,991 | 3,746 | 18,375 | 637 | 248,749 |
| Business | 37,053 | | | | 37,053 |
| Operations and maintenance | 562,898 | | 38,493 | 38,870 | 640,261 |
| Pupil transportation | 378,661 | | 79,832 | | 458,493 |
| Central | 78,382 | | | 10,776 | 89,158 |
| Operation of non-instructional services: | | | | | |
| Food service operations | | | | 312,618 | 312,618 |
| Extracurricular activities | 171,111 | | | 47,752 | 218,863 |
| Debt service: | | | | | |
| Principal retirement | 15,000 | 170,000 | | | 185,000 |
| Interest and fiscal charges | 12,740 | 60,179 | | | 72,919 |
| Total cash disbursements | <u>5,691,902</u> | <u>233,925</u> | <u>136,700</u> | <u>802,259</u> | <u>6,864,786</u> |
| Cash receipts over cash disbursements | <u>1,129,890</u> | <u>1,117</u> | <u>92,631</u> | <u>50,258</u> | <u>1,273,896</u> |
| Other financing sources (uses): | | | | | |
| Advances in | 5,000 | | | | 5,000 |
| Advances (out) | | | | (5,000) | (5,000) |
| Total other financing sources (uses) | <u>5,000</u> | | | <u>(5,000)</u> | |
| Net change in cash fund balances | 1,134,890 | 1,117 | 92,631 | 45,258 | 1,273,896 |
| Cash fund balances at beginning of year | 393,581 | 365,650 | 354,745 | 126,349 | 1,240,325 |
| Cash fund balances at end of year | <u>\$1,528,471</u> | <u>\$366,767</u> | <u>\$447,376</u> | <u>\$171,607</u> | <u>\$2,514,221</u> |

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$1,651,317 | \$1,689,383 | \$1,689,383 | |
| Income taxes | 367,753 | 367,797 | 367,797 | |
| Tuition | 103,480 | 103,492 | 103,492 | |
| Earnings on investments | 12,208 | 12,209 | 12,533 | \$324 |
| Classroom materials and fees | 15,208 | 15,208 | 15,410 | 202 |
| Rental income | 31,096 | 31,100 | 31,100 | |
| Other local revenues | 3,580 | 3,584 | 3,367 | (217) |
| Intergovernmental - state | 4,535,921 | 4,550,533 | 4,550,658 | 125 |
| Intergovernmental - federal | 23,278 | 23,281 | 26,093 | 2,812 |
| Total receipts | <u>6,743,841</u> | <u>6,796,587</u> | <u>6,799,833</u> | <u>3,246</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,295,936 | 3,271,042 | 2,858,501 | 412,541 |
| Special | 554,768 | 529,275 | 461,536 | 67,739 |
| Vocational | 25,000 | 25,000 | 4,676 | 20,324 |
| Support services: | | | | |
| Pupil | 246,364 | 288,334 | 272,609 | 15,725 |
| Instructional staff | 132,156 | 228,667 | 186,510 | 42,157 |
| Board of education | 13,967 | 15,467 | 14,585 | 882 |
| Administration | 629,134 | 589,162 | 525,206 | 63,956 |
| Fiscal | 246,182 | 250,122 | 242,935 | 7,187 |
| Business | 41,710 | 42,510 | 37,163 | 5,347 |
| Operations and maintenance | 650,294 | 701,918 | 589,872 | 112,046 |
| Pupil transportation | 475,073 | 477,673 | 393,383 | 84,290 |
| Central | 141,176 | 82,508 | 78,682 | 3,826 |
| Operation of non-instructional services: | | | | |
| Extracurricular activities | 166,091 | 165,591 | 163,622 | 1,969 |
| Debt service: | | | | |
| Principal | 45,000 | 15,000 | 15,000 | |
| Interest and fiscal charges | 37,844 | 12,844 | 12,740 | 104 |
| Total expenditures | <u>6,700,695</u> | <u>6,695,113</u> | <u>5,857,020</u> | <u>838,093</u> |
| Receipts over disbursements | <u>43,146</u> | <u>101,474</u> | <u>942,813</u> | <u>841,339</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | | 45,931 | 45,931 | |
| Refund of prior year's receipts | | | (56) | (56) |
| Transfers out | | | (10,039) | (10,039) |
| Advances in | | 10,994 | 10,994 | |
| Sale of capital assets | 3,500 | 3,500 | 3,500 | |
| Total other financing sources (uses) | <u>3,500</u> | <u>60,425</u> | <u>50,330</u> | <u>(10,095)</u> |
| Net change in fund balance | 46,646 | 161,899 | 993,143 | 831,244 |
| Fund balance at beginning of year | 335,700 | 335,700 | 335,700 | |
| Prior year encumbrances appropriated | 49,068 | 49,068 | 49,068 | |
| Fund balance at end of year | <u>\$431,414</u> | <u>\$546,667</u> | <u>\$1,377,911</u> | <u>\$831,244</u> |

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013

| | <u>Private Purpose Trust</u> | <u>Agency</u> |
|--|----------------------------------|------------------------|
| Assets: | | |
| Equity in pooled cash and cash equivalents | <u>\$8,462</u> | <u>\$14,976</u> |
| Net cash position: | | |
| Held in trust for scholarships | 8,462 | |
| Held for student activities | | <u>14,976</u> |
| Total net cash position | <u><u>\$8,462</u></u> | <u><u>\$14,976</u></u> |

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>Private Purpose Trust</u> |
|--|----------------------------------|
| | <u>Scholarship</u> |
| Net cash position at beginning of year | <u>\$8,462</u> |
| Net cash position at end of year | <u><u>\$8,462</u></u> |

See accompanying notes to the basic financial statements.

This page intentionally left blank.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1929 through the consolidation of existing land areas and school districts. The District serves an area of approximately ninety-five square miles. It is located in Auglaize, Hardin, and Logan Counties, and includes all of the Villages of Alger and McGuffey, all of Marion and Roundhead Townships, and portions of Cessna, Lynn and McDonald Townships in Hardin County. It is staffed by 28 classified employees, 43 certified teaching personnel, and 3 administrative employees who provide services to 740 students and other community members. The District currently operates one instructional building, one administration building and one garage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Jointly Governed Organizations

Ohio Hi-Point Joint Vocational School

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

Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2013, the District paid \$45,894 to WOCO for various services. Financial information can be obtained from WOCO, 129 East Court Street, Sidney, Ohio 45365.

Hardin County Schools Consortium Local Professional Development Committee

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

2. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3. Related Organization

Alger Public Library

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

B. Basis of Accounting

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

2. Fiduciary Funds

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

D. Basis of Presentation

1. Government-wide Financial Statements

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net position - cash basis presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities - cash basis compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function.

Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

2. Fund Financial Statements

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

E. Budgets

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$12,533, which includes \$5,969 assigned from other funds.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. At June 30, 2013, the District had no investments.

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

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Cash Balance

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

K. Net Cash Position

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Activity

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

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", 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", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the District.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

B. Compliance

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

4. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$2,537,659. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, the District's entire bank balance of \$2,552,670 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2013, the District had no investments.

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

The following is a reconciliation of cash and investments as reported in the note above to cash as reported on the statement of net position as of June 30, 2013:

| | |
|---|--------------------|
| Cash and investments per note: | |
| Carrying amount of deposits | <u>\$2,537,659</u> |
| Cash and investments per statement of net cash position: | |
| Governmental activities | \$2,514,221 |
| Private - purpose trust funds | 8,462 |
| Agency fund | <u>14,976</u> |
| Total | <u>\$2,537,659</u> |

5. INTERFUND TRANSACTIONS

Interfund advances for the year ended June 30, 2013, consisted of the following, as reported on the fund statements:

| | |
|---|----------------|
| Advances from non-major governmental funds to: | |
| General fund | <u>\$5,000</u> |

The primary purpose of the interfund advances was to repay a prior period advance to the general fund from non-major governmental funds.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. BUDGETARY BASIS OF ACCOUNTING

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

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

| <u>Net Change in Fund Balance</u> | |
|-----------------------------------|---------------------|
| | <u>General fund</u> |
| Budget basis | \$993,143 |
| Funds budgeted elsewhere ** | 1,928 |
| Adjustment for encumbrances | 139,819 |
| Cash basis | <u>\$1,134,890</u> |

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

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. PROPERTY TAXES (Continued)

The District receives property taxes from Hardin, Auglaize and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

| | 2012 Second Half Collections | | 2013 First Half Collections | |
|--|---|----------------|--|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/residential and other real estate | \$74,689,080 | 91.96 | \$74,983,790 | 91.58 |
| Industrial/commercial | 2,196,670 | 2.70 | 2,209,630 | 2.70 |
| Public utility personal | 4,334,080 | 5.34 | 4,683,740 | 5.72 |
| Total | <u>\$81,219,830</u> | <u>100.00</u> | <u>\$81,877,160</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$32.60 | | \$32.20 | |

8. INCOME TAXES

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

9. CAPITAL LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the District entered into capitalized leases for facilities and equipment. These lease agreements meet the criteria of capital lease as defined by GAAP which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Debt service payments are reported as function disbursements in the cash basis financial statements for the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligations and the present value of the future minimum lease payments as of June 30, 2013:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|---|------------------|------------------|------------------|
| 2014 | \$ 12,198 | \$ 21,802 | \$ 34,000 |
| 2015 | 12,665 | 21,335 | 34,000 |
| 2016 | 13,151 | 20,849 | 34,000 |
| 2017 | 13,655 | 20,346 | 34,001 |
| 2018 | 14,178 | 19,822 | 34,000 |
| 2019 - 2023 | 79,474 | 90,526 | 170,000 |
| 2024 - 2028 | 95,922 | 74,078 | 170,000 |
| 2029 - 2033 | 115,775 | 54,226 | 170,001 |
| 2034 - 2038 | 139,735 | 30,265 | 170,000 |
| 2039 - 2041 | 80,365 | 4,635 | 85,000 |
| Present value of minimum lease payments | <u>\$577,118</u> | <u>\$357,884</u> | <u>\$935,002</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. LEASE-PURCHASE AGREEMENT

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

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

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

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2013:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|------------------|
| 2014 | \$ 15,000 | \$11,944 | \$ 26,944 |
| 2015 | 20,000 | 11,025 | 31,025 |
| 2016 | 20,000 | 9,975 | 29,975 |
| 2017 | 20,000 | 8,925 | 28,925 |
| 2018 | 20,000 | 7,875 | 27,875 |
| 2019 - 2023 | 115,000 | 22,444 | 137,444 |
| 2024 | 25,000 | 656 | 25,656 |
| Present value of minimum lease payments | <u>\$235,000</u> | <u>\$72,844</u> | <u>\$307,844</u> |

11. LONG-TERM OBLIGATIONS

A. During the fiscal year 2013, the following activity occurred in governmental activities long-term obligations:

| | <u>Interest Rate</u> | <u>Balance 06/30/12</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 06/30/13</u> | <u>Amount Due in One Year</u> |
|---|--------------------------|-----------------------------|------------------|-------------------|-----------------------------|---------------------------------------|
| Governmental Activities: | | | | | | |
| 2002 General Obligation Bonds: | | | | | | |
| Capital appreciation bonds | 16.78% | \$ 18,391 | | (\$ 18,391) | | |
| Accretion on capital appreciation bonds | | 79,289 | \$ 2,320 | (81,609) | | |
| 2012 Refunding bonds | 1.00-2.80% | 1,545,000 | | (40,000) | \$1,505,000 | \$125,000 |
| Capital appreciation bonds | 56.121% | 19,999 | | | 19,999 | |
| Accretion on capital | | 1,378 | 13,619 | | 14,997 | |
| Total general obligation bonds payable | | <u>1,664,057</u> | <u>15,939</u> | <u>(140,000)</u> | <u>1,539,996</u> | <u>125,000</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

| | <u>Interest Rate</u> | <u>Balance 06/30/12</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 06/30/13</u> | <u>Amount Due in One Year</u> |
|------------------------------------|--------------------------|-----------------------------|------------------|--------------------|-----------------------------|---------------------------------------|
| Other Long-Term Obligations | | | | | | |
| Capital lease obligation | | 588,865 | | (11,747) | 577,118 | 12,198 |
| Energy conservation note | 5.125% | 505,000 | | (30,000) | 475,000 | 35,000 |
| Lease-purchase obligation | | 250,000 | | (15,000) | 235,000 | 15,000 |
| Total other long-term obligations | | <u>1,343,865</u> | | <u>(56,747)</u> | <u>1,287,118</u> | <u>62,198</u> |
| Total governmental activities | | <u>\$3,007,922</u> | <u>\$15,939</u> | <u>(\$196,747)</u> | <u>\$2,827,114</u> | <u>\$187,198</u> |

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

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

This issue is comprised of serial bonds, par value \$1,050,000, term bonds, par value \$1,160,000 and capital appreciation bonds, par value \$39,999. The capital appreciation bonds were issued at a premium of \$85,669. During fiscal year 2012, the District refunded the callable portion (\$1,565,000) of the current interest bonds. None of the capital appreciation bonds were refunded.

The interest rates on the serial and term interest bonds range from 2.10% to 5.25%. The capital appreciation bonds have matured as of June 30, 2013.

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

This refunding issue is comprised of both current interest bonds and capital appreciation bonds, in the amount of \$1,545,000 and \$19,999, respectively. The interest rate on the current interest bonds ranges from 1.00% to 2.80%. The current interest bonds mature on December 1, 2025 and will be retired through the bond retirement fund. The capital appreciation bonds mature on December 1, 2015 (interest rate yield 56.121%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for both capital appreciation bonds is \$120,000 with \$100,001 representing interest that accretes over the term of the bonds. The total accretion on the capital appreciation bonds at June 30, 2013 is \$14,997.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2019 | \$255,000 |
| 2021 | 255,000 |
| 2023 | 270,000 |
| 2025 | 235,000 |

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

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

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

| <u>Fiscal Year Ending June 30,</u> | <u>Current Interest Term and Serial</u> | | <u>Capital Appreciation Bonds</u> | | <u>Total</u> | |
|--|---|------------------|-----------------------------------|------------------|--------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 125,000 | \$ 30,385 | | | \$ 125,000 | \$ 30,385 |
| 2015 | 125,000 | 29,135 | | | 125,000 | 29,135 |
| 2016 | | 28,510 | \$19,999 | \$100,001 | 19,999 | 128,511 |
| 2017 | 120,000 | 27,610 | | | 120,000 | 27,610 |
| 2018 | 120,000 | 25,510 | | | 120,000 | 25,510 |
| 2019 - 2023 | 645,000 | 88,790 | | | 645,000 | 88,790 |
| 2024 - 2026 | 370,000 | 14,285 | | | 370,000 | 14,285 |
| Total | <u>\$1,505,000</u> | <u>\$244,225</u> | <u>\$19,999</u> | <u>\$100,001</u> | <u>\$1,524,999</u> | <u>\$344,226</u> |

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

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

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|------------------|------------------|------------------|
| 2014 | \$ 35,000 | \$ 23,447 | \$ 58,447 |
| 2015 | 35,000 | 21,653 | 56,653 |
| 2016 | 35,000 | 19,859 | 54,859 |
| 2017 | 40,000 | 17,938 | 57,938 |
| 2018 | 40,000 | 15,887 | 55,887 |
| 2019 - 2023 | 235,000 | 44,972 | 279,972 |
| 2024 | 55,000 | 1,409 | 56,409 |
| Total | <u>\$475,000</u> | <u>\$145,165</u> | <u>\$620,165</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$6,210,712 (including available funds of \$366,767) and an un-voted debt margin of \$81,877.

12. RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2013, the District contracted for the following insurance coverage:

| Description | Amount |
|--|---------------|
| Building and Contents - replacement cost | \$34,243,986 |
| Automotive Liability | 1,000,000 |
| Commercial Umbrella | 3,000,000 |
| General liability | |
| Per occurrence | 1,000,000 |
| Aggregate | 2,000,000 |

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

B. Employee Medical, Dental, Vision and Life Insurance

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

C. Workers' Compensation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. RISK MANAGEMENT (Continued)

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

13. PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$84,643, \$98,292 and \$117,718, respectively; 72.06 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. PENSION PLANS (Continued)

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$279,156, \$319,115 and \$389,337, respectively; 83.24 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

14. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$12,325, \$19,074 and \$27,686, respectively; 72.06 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$4,781, \$5,805 and \$7,575, respectively; 72.06 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

14. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$21,474, \$24,547 and \$29,949, respectively; 83.24 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

15. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Employee Insurance Benefits

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

16. CONTINGENCIES

A. Grants

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

B. Litigation

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

17. SET-ASIDES

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

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

| | Capital Improvements |
|---|---------------------------------|
| Set-aside balance June 30, 2012 | |
| Current year set-aside requirement | \$103,833 |
| Current year qualifying expenditures | (63,666) |
| Current year offsets | (28,946) |
| Prior year offset from bond proceeds | (11,221) |
| Total | \$ 0 |
| Balance carried forward to fiscal year 2014 | \$ 0 |
| Set-aside balance June 30, 2013 | \$ 0 |

18. DONOR RESTRICTED ENDOWMENTS

The District's private purpose trust fund includes donor restricted endowments. The amount of net appreciation in donor restricted investments that is available for disbursements by the District is \$8,462 and is included as held in trust for scholarships at June 30, 2013. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the monies should be used to provide a scholarship each year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

19. OTHER COMMITMENTS

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

| <u>Fund Type</u> | <u>Year-End Encumbrances</u> |
|-----------------------|----------------------------------|
| General | \$139,819 |
| Permanent improvement | 4,634 |
| Other governmental | 29,093 |
| Total | <u>\$173,546</u> |

20. SUBSEQUENT EVENTS

The roof at USV has been repaired (expended FY 2014) from fund 003 (OSFC), there are still areas of concern with the building itself from all of the leaking. The district is also experiencing heating issues, there are problems with the boilers and seals. Repair costs are not known at this time, but USV will see those expenditures in FY 2014. The expenditures for these expenses will be paid for from Permanent Improvement Fund 003, Classroom Facilities and Maintenance Fund 034, and General Fund 001.

This page intentionally left blank.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, 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 Upper Scioto Valley Local School District, Hardin County, (the District) as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 21, 2014 wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 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 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

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

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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 21, 2014

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2013

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

FINDING NUMBER 2013-001

Noncompliance Citation

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

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

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

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

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--|------------------|---|
| 2012-01 | Ohio Rev. Code Sec. 117.28 and Ohio Admin. Code Sec. 117-02-03 (B) – Failed to file financial statements in accordance with GAAP | No | Repeated as Finding 2013-001 |



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on August 27, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

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.

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

Dave Yost
Auditor of State

January 21, 2014

This page intentionally left blank.



Dave Yost • Auditor of State

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 4, 2014