



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis 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, 2016, 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 the Upper Scioto Valley Local School District, Hardin County, Ohio, as of June 30, 2016, 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. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, 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 May 9, 2017, 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

May 9, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2016, 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 2016 are as follows:

- The total net cash position of the District increased \$1,661,715 or 43.27% from fiscal year 2015.
- General cash receipts accounted for \$7,524,566 or 85.41% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,285,374 or 14.59% of total governmental activities cash receipts.
- The District had \$7,148,225 in cash disbursements related to governmental activities; \$1,285,374 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 \$7,524,566 were adequate to provide for these programs.
- The District's major funds are the general fund and permanent improvement capital projects fund. The general fund, the District's largest major fund, had cash receipts of \$7,553,858 in 2016. The cash disbursements and other financing uses of the general fund, totaled \$7,085,893 in 2016. The general fund's cash balance increased \$467,965 or 16.05% from 2015 to 2016.
- The permanent improvement capital projects fund, a District major fund, had cash receipts and other financing sources of \$1,208,021 in 2016. The permanent improvement capital projects fund had cash disbursements of \$69,379 in 2016. The permanent improvement capital projects fund cash balance increased \$1,138,642 from 2015 to 2016.

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 nonmajor funds presented in total in one column. In the case of the District, there are two major governmental funds. The general fund is the largest major fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 2016?" 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 the governmental activities include District's programs and services including instruction; support services which includes operation and maintenance of plant and pupil transportation; and operation of non-instructional services which include 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 and permanent improvement capital projects fund. The analysis of the District's major governmental funds begins on page 10.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 principles generally accepted in the United States of America.

Governmental Funds

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

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

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on 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. The basic fiduciary fund financial statements can be found on pages 18-19 of this report.

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 21-46 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, 2016 and June 30, 2015.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)**

	Net Cash Position	
	Governmental Activities	Governmental Activities
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 5,502,054	\$ 3,840,339
Total assets	<u>5,502,054</u>	<u>3,840,339</u>
<u>Net Cash Position</u>		
Restricted	652,233	601,011
Unrestricted	<u>4,849,821</u>	<u>3,239,328</u>
Total net cash position	<u>\$ 5,502,054</u>	<u>\$ 3,840,339</u>

The total net cash position of the District increased \$1,661,715 which represents a 43.27% increase from fiscal year 2015.

The balance of government-wide unrestricted net cash position of \$4,849,821 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 2016 and 2015.

	Change in Net Cash Position	
	Governmental Activities	Governmental Activities
	<u>2016</u>	<u>2015</u>
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 377,638	\$ 339,838
Operating grants and contributions	900,930	918,617
Capital grants and contributions	<u>6,806</u>	<u>6,806</u>
Total program cash receipts	<u>1,285,374</u>	<u>1,265,261</u>
General cash receipts:		
Property taxes	2,402,105	2,265,069
Income taxes	364,385	353,092
Unrestricted grants and entitlements	4,528,465	4,479,558
Investment earnings	219,345	232,629
Other	<u>10,266</u>	<u>97,134</u>
Total general cash receipts	<u>7,524,566</u>	<u>7,427,482</u>
Total cash receipts	<u>\$ 8,809,940</u>	<u>\$ 8,692,743</u>

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)**

Change in Net Cash Position (Continued)

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Cash Disbursements:		
Instruction:		
Regular	\$ 3,253,862	\$ 3,268,039
Special	660,608	814,554
Vocational	26,681	27,843
Support services:		
Pupil	355,090	336,294
Instructional staff	198,954	247,849
Board of education	12,203	19,342
Administration	445,054	379,210
Fiscal	258,703	251,389
Business	6,114	4,511
Operations and maintenance	619,411	578,102
Pupil transportation	299,193	555,619
Central	30,239	26,791
Operation of non-instructional services:		
Food service operations	283,183	272,488
Other non-instructional services	27,681	2,347
Extracurricular	209,137	195,805
Facilities acquisition and construction	258,748	216,284
Debt service:		
Principal retirement	54,999	902,210
Interest and fiscal charges	<u>148,365</u>	<u>86,789</u>
 Total cash disbursements	 <u>7,148,225</u>	 <u>8,185,466</u>
 Change in net cash position	 1,661,715	 507,277
 Net cash position at beginning of year	 <u>3,840,339</u>	 <u>3,333,062</u>
 Net cash position at end of year	 <u>\$ 5,502,054</u>	 <u>\$ 3,840,339</u>

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)

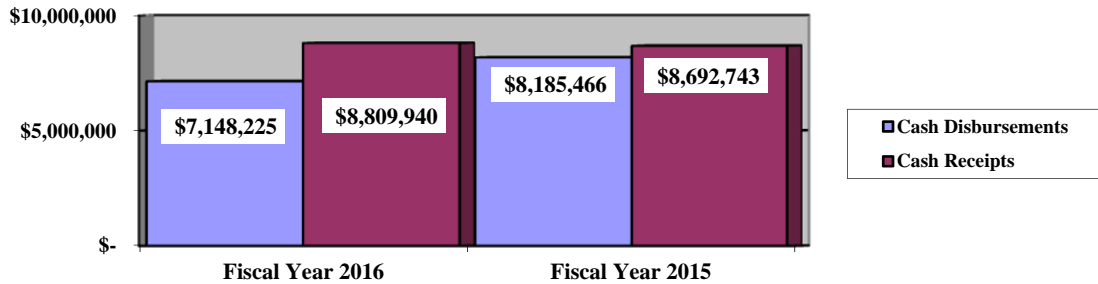
Governmental Activities

Governmental cash position increased by \$1,661,715 in fiscal year 2016 from fiscal year 2015. Total governmental disbursements of \$7,148,225 were offset by program receipts of \$1,285,374 and general receipts of \$7,524,566. Program receipts supported 17.98% of the total governmental disbursements. The largest governmental disbursements were instructional expenditures which totaled \$3,941,151 or 55.13% of total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 82.80% 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 2016 and 2015.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)**

The table below shows the total cost of services and the net cost of services (e.g. the cost of those services supported by general revenues of the District) for fiscal years 2016 and 2015:

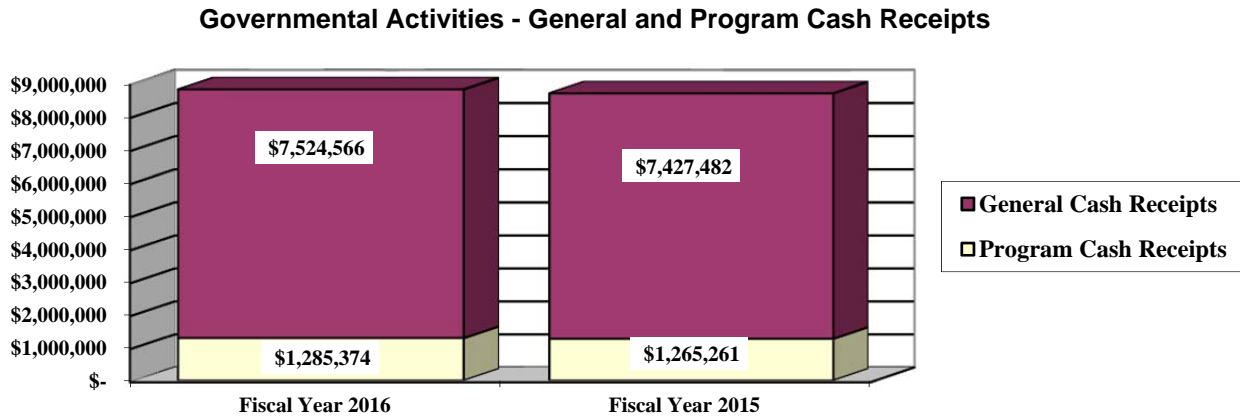
	Governmental Activities			
	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Cash disbursements:				
Instruction:				
Regular	\$ 3,253,862	\$ 2,835,000	\$ 3,268,039	\$ 2,845,681
Special	660,608	279,303	814,554	396,709
Vocational	26,681	21,200	27,843	20,198
Support services:				
Pupil	355,090	343,981	336,294	319,325
Instructional staff	198,954	177,738	247,849	225,462
Board of education	12,203	12,203	19,342	19,342
Administration	445,054	443,501	379,210	379,210
Fiscal	258,703	258,703	251,389	251,389
Business	6,114	6,114	4,511	4,511
Operations and maintenance	619,411	563,919	578,102	563,796
Pupil transportation	299,193	283,276	555,619	546,095
Central	30,239	24,839	26,791	20,535
Operation of non-instructional services:				
Food service operations	283,183	(16,483)	272,488	(15,412)
Operation of non instruction	27,681	13,144	2,347	(42)
Extracurricular	209,137	154,301	195,805	138,123
Facilities acquisition and construction	258,748	258,748	216,284	216,284
Debt service:				
Principal retirement	54,999	54,999	902,210	902,210
Interest and fiscal charges	148,365	148,365	86,789	86,789
Total	<u>\$ 7,148,225</u>	<u>\$ 5,862,851</u>	<u>\$ 8,185,466</u>	<u>\$ 6,920,205</u>

The dependence upon general cash receipts for governmental activities is apparent; with 82.02% of cash disbursements supported through taxes and other general cash receipts during 2016.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)**

The graph below shows the District's governmental activities general receipts and program receipts for fiscal years 2016 and 2015.



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 \$ 5,502,054 which is \$1,661,715 greater than last year's total of \$3,840,339. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2016 and June 30, 2015.

	Fund Cash Balance <u>June 30, 2016</u>	Fund Cash Balance <u>June 30, 2015</u>	<u>Change</u>
General	\$ 3,383,417	\$ 2,915,452	\$ 467,965
Permanent improvement	1,559,422	420,780	1,138,642
Other nonmajor governmental funds	<u>559,215</u>	<u>504,107</u>	<u>55,108</u>
Total	<u>\$ 5,502,054</u>	<u>\$ 3,840,339</u>	<u>\$ 1,661,715</u>

General Fund

The general fund, the District's largest major fund, had cash receipts of \$7,553,858 in fiscal year 2016. The cash disbursements and other financing uses of the general fund, totaled \$7,085,893 in fiscal year 2016. The general fund's cash balance increased \$467,965 or 16.05% from fiscal year 2015 to fiscal year 2016.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)**

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

	<u>2016 Amount</u>	<u>2015 Amount</u>	<u>Percentage Change</u>
<u>Cash Receipts:</u>			
Property taxes	\$ 2,190,260	\$ 2,043,513	7.18 %
Income taxes	364,385	353,092	3.20 %
Tuition	160,622	127,902	25.58 %
Earnings on investments	16,982	9,406	80.54 %
Miscellaneous	66,744	48,271	38.27 %
Intergovernmental	<u>4,754,865</u>	<u>4,707,998</u>	1.00 %
Total	<u>\$ 7,553,858</u>	<u>\$ 7,290,182</u>	3.62 %

The District's property taxes increased due to an increase in assessed values on which calendar year 2016 property tax receipts were based, affecting the second half of the District's fiscal year. The District also experienced an increase in tuition due to a larger open enrollment. Investment earnings increased 80.54% due to an increase in interest rates earned on investments. Miscellaneous receipts for the District increased 38.27% from fiscal year 2015. All other cash receipts remained comparable to fiscal year 2015.

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

	<u>2016 Amount</u>	<u>2015 Amount</u>	<u>Percentage Change</u>
<u>Cash Disbursements</u>			
Instruction	\$ 3,572,101	\$ 3,686,185	(3.09) %
Support services	2,112,310	2,104,115	0.39 %
Operation of non instruction	12,079	911	1,225.91 %
Extracurricular	153,835	133,328	15.38 %
Facilities acquisition and construction	235,568	-	100.00 %
Principal retirement	-	742,210	(100.00) %
Interest and fiscal charges	<u>-</u>	<u>36,001</u>	(100.00) %
Total	<u>\$ 6,085,893</u>	<u>\$ 6,702,750</u>	(9.20) %

Principal retirement and interest and fiscal charges dramatically decreased due to the District making large payments in order to retire both of their lease obligations in FY15, leaving them with no debt service payments for FY16. All other cash disbursements remained comparable to fiscal year 2015. Facilities acquisition and construction increased due to a rise in improvements and maintenance throughout the district during FY16.

Permanent Improvement Fund

The permanent improvement capital projects fund, a District major fund, had cash receipts and other financing sources of \$1,208,021 in fiscal year 2016. The permanent improvement capital projects fund had cash disbursements of \$69,379 in fiscal year 2016. The permanent improvement capital projects fund cash balance increased \$1,138,642 from fiscal year 2015 to fiscal year 2016.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)**

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, original budget basis receipts were \$7,415,270 and final budget basis receipts were \$7,408,324. Actual cash receipts and other financing sources of \$7,551,176 were more than final budget estimates by \$142,852. The original budgetary basis disbursements and other financing uses were \$7,935,286 and final budgetary basis disbursements and other financing uses were \$8,065,104. The actual budgetary basis disbursements and other financing uses of \$7,356,672 were \$708,432 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 \$258,748 in facilities acquisition and construction disbursements during fiscal year 2016.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2016 and 2015.

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
General obligation bonds	\$ 1,255,000	\$ 1,348,788
Energy conservation notes	<u>370,000</u>	<u>405,000</u>
 Total long-term obligations	 <u>\$ 1,625,000</u>	 <u>\$ 1,753,788</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.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2016

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$5,502,054
Total assets	<u>5,502,054</u>
Net cash position:	
Restricted for:	
Capital projects	92,469
Classroom facilities maintenance	137,465
Debt service	364,447
Locally funded programs	3,000
State funded programs	2,000
District managed student activities	17,887
Other purposes	34,965
Unrestricted	4,849,821
Total cash net position	<u><u>\$5,502,054</u></u>

See accompanying notes to the basic financial statements

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Disbursements	Program Receipts			Net (Disbursements)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Receipts and Changes in Net Position Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$3,253,862	\$195,323	\$223,539	-	(\$2,835,000)
Special	660,608	-	381,305	-	(279,303)
Vocational	26,681	-	5,481	-	(21,200)
Support services:					
Pupil	355,090	-	11,109	-	(343,981)
Instructional staff	198,954	-	21,216	-	(177,738)
Board of education	12,203	-	-	-	(12,203)
Administration	445,054	-	1,553	-	(443,501)
Fiscal	258,703	-	-	-	(258,703)
Business	6,114	-	-	-	(6,114)
Operations and maintenance	619,411	17,917	30,769	\$6,806	(563,919)
Pupil transportation	299,193	-	15,917	-	(283,276)
Central	30,239	-	5,400	-	(24,839)
Operation of non-instructional services:					
Other non-instructional services	27,681	760	13,777	-	(13,144)
Food service operations	283,183	111,967	187,699	-	16,483
Extracurricular activities	209,137	51,671	3,165	-	(154,301)
Facilities acquisition and construction	258,748	-	-	-	(258,748)
Debt Service					
Principal retirement	54,999	-	-	-	(54,999)
Interest and fiscal charges	148,365	-	-	-	(148,365)
Total governmental activities	<u>\$7,148,225</u>	<u>\$377,638</u>	<u>\$900,930</u>	<u>\$6,806</u>	<u>(\$5,862,851)</u>
General receipts:					
Property taxes levied for:					
					2,190,260
					24,336
					187,509
					364,385
					4,528,465
					219,345
					10,266
					<u>7,524,566</u>
Change in net cash position					1,661,715
Net cash position at beginning of year					<u>3,840,339</u>
Net cash position at end of year					<u>\$5,502,054</u>

See accompanying notes to the basic financial statements

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$3,383,417	\$1,559,422	\$559,215	\$5,502,054
Total assets	<u>3,383,417</u>	<u>1,559,422</u>	<u>559,215</u>	<u>5,502,054</u>
Cash fund balances:				
Restricted:				
Debt service	-	-	364,447	364,447
Capital improvements	-	92,469	-	92,469
Classroom facilities maintenance	-	-	137,465	137,465
Food service operations	-	-	34,785	34,785
Other purposes	-	-	5,180	5,180
Extracurricular activities	-	-	17,887	17,887
Committed:				
Capital improvements	-	1,466,953	-	1,466,953
Termination benefits	60,153	-	-	60,153
Assigned:				
Student instruction	24,554	-	-	24,554
Student and staff support	71,666	-	-	71,666
Extracurricular activities	121	-	-	121
Facilities acquisition and construction	168,722	-	-	168,722
Unassigned (deficit)	3,058,201	-	(549)	3,057,652
Total cash fund balances	<u>\$3,383,417</u>	<u>\$1,559,422</u>	<u>\$559,215</u>	<u>\$5,502,054</u>

See accompanying notes to the basic financial statements

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Cash Receipts:				
Property taxes	\$2,190,260	-	\$211,845	\$2,402,105
Income taxes	364,385	-	-	364,385
Tuition	160,622	-	-	160,622
Earnings on investments	16,982	\$201,215	1,236	219,433
Charges for services	-	-	111,967	111,967
Extracurricular	3,094	-	48,571	51,665
Classroom materials and fees	34,701	-	-	34,701
Rental income	17,917	-	-	17,917
Contributions and donations	4,360	-	-	4,360
Other local revenues	6,672	-	3,184	9,856
Intergovernmental - intermediate	-	-	2,000	2,000
Intergovernmental - state	4,685,798	-	62,567	4,748,365
Intergovernmental - federal	69,067	6,806	606,691	682,564
Total cash receipts	<u>7,553,858</u>	<u>208,021</u>	<u>1,048,061</u>	<u>8,809,940</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	3,029,992	-	223,870	3,253,862
Special	515,428	-	145,180	660,608
Vocational	26,681	-	-	26,681
Support services:				
Pupil	342,509	-	12,581	355,090
Instructional staff	177,648	-	21,306	198,954
Board of education	12,203	-	-	12,203
Administration	443,467	-	1,587	445,054
Fiscal	229,461	25,639	3,603	258,703
Business	6,114	-	-	6,114
Operations and maintenance	585,280	34,045	86	619,411
Pupil transportation	290,789	750	7,654	299,193
Central	24,839	-	5,400	30,239
Operation of non-instructional services:				
Other operation of non-instructional	12,079	-	15,602	27,681
Food service operations	-	-	283,183	283,183
Extracurricular activities	153,835	-	55,302	209,137
Facilities acquisition and construction	235,568	8,945	14,235	258,748
Debt service:				
Principal retirement	-	-	54,999	54,999
Interest and fiscal charges	-	-	148,365	148,365
Total cash disbursements	<u>6,085,893</u>	<u>69,379</u>	<u>992,953</u>	<u>7,148,225</u>
Excess of Receipts Over (Under) Disbursements	<u>1,467,965</u>	<u>138,642</u>	<u>55,108</u>	<u>1,661,715</u>
Other financing sources (uses):				
Transfers in	-	1,000,000	-	1,000,000
Transfers (out)	(1,000,000)	-	-	(1,000,000)
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Net change in cash fund balances	467,965	1,138,642	55,108	1,661,715
Cash fund balances at beginning of year	<u>2,915,452</u>	<u>420,780</u>	<u>504,107</u>	<u>3,840,339</u>
Cash fund balances at end of year	<u>\$3,383,417</u>	<u>\$1,559,422</u>	<u>\$559,215</u>	<u>\$5,502,054</u>

See accompanying notes to the basic financial statements

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts:				
From local sources:				
Property taxes	\$2,151,129	\$2,177,689	\$2,190,259	\$12,570
Income taxes	358,389	358,389	364,385	5,996
Tuition	117,230	117,230	160,622	43,392
Earnings on investments	8,300	8,300	16,852	8,552
Classroom materials and fees	32,404	32,404	34,701	2,297
Rental income	5,000	5,000	17,917	12,917
Contributions and donations	5,000	5,000	3,600	(1,400)
Other local revenues	5,000	5,000	6,666	1,666
Intergovernmental - state	4,712,818	4,679,312	4,685,799	6,487
Intergovernmental - federal	20,000	20,000	69,067	49,067
Total receipts	7,415,270	7,408,324	7,549,868	141,544
Disbursements:				
Current:				
Instruction:				
Regular	4,866,620	4,773,857	2,897,121	1,876,736
Special	627,245	476,078	515,642	(39,564)
Vocational	35,101	30,186	26,691	3,495
Other	137,201	158,635	157,199	1,436
Support services:				
Pupil	259,277	274,260	356,153	(81,893)
Instructional staff	153,549	129,290	176,446	(47,156)
Board of education	8,911	9,874	12,208	(2,334)
Administration	43,197	45,957	448,471	(402,514)
Fiscal	116,846	148,488	255,730	(107,242)
Business	7,406	9,335	6,805	2,530
Operations and maintenance	422,957	431,723	605,197	(173,474)
Pupil transportation	111,153	120,847	291,428	(170,581)
Central	11,623	16,563	29,470	(12,907)
Operation of non-instructional services:				
Other Operation of non-instructional services			11,769	(11,769)
Extracurricular activities	1,585	1,700	152,052	(150,352)
Facilities acquisition and construction	131,743	428,311	404,290	24,021
Total disbursements	6,934,414	7,055,104	6,346,672	708,432
Excess of receipts over disbursements	480,856	353,220	1,203,196	849,976
Other financing sources (uses):				
Transfers in	-	-	1,308	1,308
Transfers (out)	(1,000,872)	(1,010,000)	(1,010,000)	-
Total other financing (uses)	(1,000,872)	(1,010,000)	(1,008,692)	1,308
Net change in fund balance	(520,016)	(656,780)	194,504	851,284
Fund balance at beginning of year	2,709,689	2,709,689	2,709,689	-
Prior year encumbrances appropriated	148,559	148,559	148,559	-
Fund balance at end of year	\$2,338,232	\$2,201,468	\$3,052,752	\$851,284

See accompanying notes to the basic financial statements

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$8,212	\$16,928
Net cash position:		
Held in trust for scholarships	8,212	
Held for student activities		16,928
Total net cash position	\$8,212	\$16,928

See accompanying notes to the basic financial statements

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Net cash position at beginning of year	\$8,212
Net cash position at end of year	<u>\$8,212</u>

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 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 23 classified employees, 41 certified teaching personnel, and 8 administrative employees who provide services to 588 students and other community members. The District currently operates one instructional building.

NOTE 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, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Ohio Hi-Point Career Center

The Ohio Hi-Point Career Center (the Career Center) (formerly the Ohio Hi-Point Joint Vocational School) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center 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 Career Center possesses its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Career Center, 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 2016, the District paid \$80,710 to WOCO for various services. Financial information can be obtained from Marcia Weirwille, Fiscal Officer/Treasurer, 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 Keith Thomas, Midwest Educational Service Center, 121 South Opera Street, Bellefontaine, OH 43311.

INSURANCE PURCHASING POOLS

Sheakley Worker's Compensation Group Rating Plan

The District participates in the Sheakley Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program. The firm of Sheakley Inc. provides administrative, cost control and actuarial services to the Program.

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

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust") is a public entity shared risk pool consisting of six school districts, the Hardin County Educational Service Center and the Ada Public Library. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical, dental, vision and life insurance benefits to the employees of the participants.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington 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.

RELATED ORGANIZATION

Alger Public Library

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

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

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.

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.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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 principal and interest and (b) specific revenue sources that are restricted or committed to an disbursements for specified purposes other than debt service or capital projects.

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

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 nonmajor 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.

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 2016 amounted to \$16,982, which includes \$5,362 assigned from other funds.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, 2016, the District had no investments.

An analysis of the District's deposits and investments at 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:

Nonspendable - The nonspendable 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.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

L. Interfund Activity

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

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 2016.

N. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

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.

C. Deficit Cash Balances

The District had the following deficit cash balances at June 30, 2016:

Title I	\$	548
Miscellaneous Federal Grants		1

This deficit cash balance resulted from a lag between disbursements made by the District and reimbursements from grantors and are allowable under Ohio Revised Code §3315.20.

NOTE 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.

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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

A. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$5,527,194. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, the District's entire bank balance of \$5,608,109 was covered by the FDIC.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2016, 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, 2016:

Carrying amount of deposits	\$ <u>5,527,194</u>
 <u>Cash and investments per statement of net cash position</u>	
Governmental activities	\$ 5,502,054
Private - purpose trust funds	8,212
Agency fund	<u>16,928</u>
Total	<u>\$ 5,527,194</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2016 consisted of the following, as reported on the fund financial statements:

<u>Transfer to the permanent improvement fund from:</u>	<u>Amount</u>
General fund	<u>\$ 1,000,000</u>

Transfers are used to move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, and to use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the statement of activities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 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 as assigned or committed fund balance (cash).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 194,504
Funds budgeted elsewhere **	8,398
Adjustment for encumbrances	<u>265,063</u>
Cash basis	<u>\$ 467,965</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, District agency and termination benefits funds.

NOTE 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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 7 - PROPERTY TAXES (Continued)

The District receives property taxes from Hardin, Auglaize and Logan Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 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 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 107,857,550	93.64	\$ 107,662,850	93.47
Industrial/commercial	2,353,230	2.04	2,175,320	1.89
Public utility personal	4,968,750	4.32	5,346,560	4.64
Total	<u>\$ 115,179,530</u>	<u>100.00</u>	<u>\$ 115,184,730</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation		\$30.80		\$30.70

NOTE 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.

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2016, the following activity occurred in governmental activities long-term obligations.

	<u>Interest Rate</u>	<u>Balance 06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/16</u>	<u>Due in One Year</u>
Governmental Activities:						
<u>General Obligation Bonds:</u>						
Refunding bonds	1.00-2.80%	\$ 1,255,000	\$ -	\$ -	\$ 1,255,000	\$ 120,000
Capital appreciation bonds	56.121%	19,999	-	(19,999)	-	-
Accretion on capital		73,789	26,212	(100,001)	-	-
Total general obligation bonds payable		<u>1,348,788</u>	<u>26,212</u>	<u>(120,000)</u>	<u>1,255,000</u>	<u>120,000</u>
<u>Other Long-Term Obligations</u>						
Energy conservation note	5.125%	405,000	-	(35,000)	370,000	40,000
Total other long-term obligations		<u>405,000</u>	<u>-</u>	<u>(35,000)</u>	<u>370,000</u>	<u>40,000</u>
Total governmental activities		<u>\$ 1,753,788</u>	<u>\$ 26,212</u>	<u>\$ (155,000)</u>	<u>\$ 1,625,000</u>	<u>\$ 160,000</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

- B.** 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.

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 matured 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 the capital appreciation bonds is \$120,000 with \$100,001 representing interest that accretes over the term of the bonds. At June 30, 2016, there were no capital appreciation bonds outstanding.

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:

<u>Year</u>	<u>Amount</u>
2019	255,000
2021	255,000
2023	270,000
2025	235,000

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

<u>Fiscal Year Ending June 30.</u>	<u>Current Interest Term and Serial General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 120,000	\$ 27,610
2018	120,000	25,510
2019	125,000	23,123
2020	130,000	207,000
2021	125,000	18,027
2022 - 2026	635,000	41,225
Total	\$ 1,255,000	\$ 342,495

- 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>
2017	\$ 40,000	\$ 17,938	\$ 57,938
2018	40,000	15,887	55,887
2019	45,000	13,709	58,709
2020	45,000	11,403	56,403
2021	45,000	9,097	54,097
2022 - 2024	155,000	12,172	167,172
Total	\$ 370,000	\$ 80,206	\$ 450,206

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 used 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, 2016, are a voted debt margin of \$9,476,073 (including available funds of \$364,447) and an unvoted debt margin of \$115,185.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 10 - 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 2016, the District contracted for the following insurance coverage:

<u>Description</u>	<u>Amount</u>
Building and Contents - replacement cost	\$30,769,163
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 Sheakley Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 - PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 11 - PENSION PLANS - (Continued)

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 11 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$115,708 for fiscal year 2016.

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can 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.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 11 - PENSION PLANS - (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$297,193 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$1,495,853	\$5,296,369	\$6,792,222
Proportion of the net pension liability	0.026215%	0.0191640%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 11 - PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 11 - PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$2,074,211	\$1,495,853	\$1,008,828

Changes Between Measurement Date and Report Date - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above. Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 11 - PENSION PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$7,357,056	\$5,296,369	\$3,553,751

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$12,561 (surcharge only), \$18,242, and \$11,630, respectively. 100 percent has been contributed for fiscal years 2015 and 2014.

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 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$21,056, respectively; 100 percent has been contributed for fiscal year 2014.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 13 - 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.

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 15 - 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.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	91,533
Current year qualifying expenditures	(57,404)
Current year offsets	(34,129)
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

During prior fiscal years, the District issued a total of \$2,336,189 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$2,298,684 at June 30, 2016.

NOTE 16 - 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 \$8,212 and is included as held in trust for scholarships at June 30, 2016. 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, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 17 - 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	\$ 265,063
Permanent improvement	1,221,221
Other governmental	<u>12,103</u>
Total	<u>\$ 1,498,387</u>



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
510 South Courtright Street
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 cash-basis 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 9, 2017, 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 2016-001.

Entity's Response to Finding

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

May 9, 2017

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2016

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

FINDING NUMBER 2016-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides, in part, 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 § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires all school districts to file annual financial reports which are prepared using generally accepted accounting principles. The District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 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 its financial statements according to generally accepted accounting principles.

OFFICIALS' RESPONSE:

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

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	<p>Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) – Failed to file annual financial reports using generally accepted accounting principles.</p> <p>First reported for the fiscal year ended June 30, 2004.</p>	Not Corrected	<p>The District acknowledges this requirement but will continue to report on the cash basis in order to save resources for the District</p> <p>Will be repeated as 2016-001.</p>



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
MAY 30, 2017