



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

SINGLE AUDIT

FOR THE YEARS ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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REPORT OF INDEPENDENT ACCOUNTANTS

Upper Scioto Valley Local School District
Hardin County
510 Courtright Street
McGuffey, Ohio 45859

To the Board of Education:

We have audited the general-purpose financial statements of the Upper Scioto Valley Local School District, Hardin County (the "School District"), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

The School District did not record any additions or reductions to General Fixed Assets or any additions, reductions, or depreciation for Enterprise Fund assets for the fiscal year ended June 30, 2001. All fixed asset balances reported on the financial statements are as of June 30, 1998.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to audit additions or reductions to General Fixed Assets and Enterprise Fund assets and depreciation for Enterprise Fund assets, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Upper Scioto Valley Local School District, Hardin County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, during the year ended June 30, 2001, the School District adopted Governmental Accounting Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2002, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

March 26, 2002

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UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

Account Description	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,423,599	\$224,553	\$136,144	\$2,640,485
Cash and Cash Equivalents with Fiscal Agent		11,850		
Investments				504,845
Receivables:				
Property Taxes	1,365,793	21,774	148,060	
Income Taxes	107,964			
Accounts	69	25		
Intergovernmental	35	15,027		12,306,660
Interfund	10,000			
Accrued Interest	914			4,243
Due From Other Funds	871			
Inventory Held for Resale				
Materials and Supplies Inventory				
Prepaid Items	35,956	1,479		13,829
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	237,938			
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>3,183,139</u>	<u>274,708</u>	<u>284,204</u>	<u>15,470,062</u>
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	25,410	2,074	350	6,453
Contracts Payable				\$577,943
Accrued Wages and Benefits	351,387	28,070		
Compensated Absences Payable	31,218			
Retainage Payable				86,743
Intergovernmental Payable	79,916	4,878		
Interfund Payable				
Due to Other Funds		871		
Deferred Revenue	1,252,565	19,313	130,292	11,306,660
Due to Students				
Accrued Interest Payable	1,848			
Notes Payable				
Capital Lease Payable				
Energy Conservation Notes Payable	85,000			
Total Liabilities	<u>1,827,344</u>	<u>55,206</u>	<u>130,642</u>	<u>11,977,799</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings				
Fund Balance:				
Reserved for Property Taxes	131,985	2,461	17,768	
Reserved for Capital Improvements	214,105			
Reserved for Budget Stabilization	23,833			
Reserved for Encumbrances	168,790	12,659		10,568,291
Unreserved	817,082	204,382	135,794	(7,076,028)
Total Fund Equity and Other Credits	<u>1,355,795</u>	<u>219,502</u>	<u>153,562</u>	<u>3,492,263</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$3,183,139</u>	<u>\$274,708</u>	<u>\$284,204</u>	<u>\$15,470,062</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$26,464	\$26,077			\$4,477,322
				11,850
				504,845
				1,535,627
				107,964
3,714				3,808
7,040				12,328,762
				10,000
				5,157
				871
6,264				6,264
1,551				1,551
2,558				53,822
				237,938
14,244		3,850,481		3,864,725
			153,562	153,562
			3,308,933	3,308,933
<u>61,835</u>	<u>26,077</u>	<u>3,850,481</u>	<u>3,462,495</u>	<u>26,613,001</u>
407				34,694
				577,943
16,679				396,136
7,508			288,467	327,193
				86,743
8,779			75,848	169,421
10,000				10,000
				871
				12,708,830
	24,227			24,227
				1,848
			2,253,000	2,253,000
			845,180	845,180
				85,000
<u>43,373</u>	<u>24,227</u>		<u>3,462,495</u>	<u>17,521,086</u>
		3,850,481		3,850,481
18,462				18,462
				152,214
				214,105
				23,833
				10,749,740
	1,850			(5,916,920)
<u>18,462</u>	<u>1,850</u>	<u>3,850,481</u>		<u>9,091,915</u>
<u>\$61,835</u>	<u>\$26,077</u>	<u>\$3,850,481</u>	<u>\$3,462,495</u>	<u>\$26,613,001</u>

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property Taxes	\$1,185,695	\$23,834	\$162,130		\$1,371,659
Income Taxes	256,697				256,697
Intergovernmental	3,387,530	399,231	27,414	3,206,434	7,020,609
Interest	109,671			169,900	279,571
Tuition and Fees	8,872	10,156			19,028
Extracurricular Activities		79,436			79,436
Gifts and Donations	450				700
Rent	4,050			72,145	76,195
Miscellaneous	60,599	5,000			65,599
Total Revenues	5,013,564	517,657	189,544	3,448,479	9,169,494
Expenditures:					
Current:					
Instruction:					
Regular	1,850,904	38,383		8,195	1,897,482
Special	263,382	227,063			490,445
Vocational	175,361			6,453	181,814
Other	380,065				380,065
Support Services:					
Pupils	117,197	48,242			166,439
Instructional Staff	169,097	13,939		3,328	186,364
Board of Education	16,179				16,179
Administration	553,760	11,811			565,571
Fiscal	183,068	752	4,436		188,256
Operation and Maintenance of Plant	417,306			7,550	424,856
Pupil Transportation	280,562	446			281,008
Central	13,760	14,482			28,242
Extracurricular Activities	103,466	88,803			192,269
Capital Outlay	57			2,859,762	2,859,819
Debt Service:					
Principal Retirement	35,829			6,759,000	6,794,829
Interest and Fiscal Charges	43,937		113,666	65,851	223,454
Total Expenditures	4,603,930	443,921	118,102	9,710,139	14,877,092
Excess of Revenues Over Expenditures	409,634	73,736	71,442	(6,261,660)	(750)
Other Financing Sources:					
Proceeds of Notes				6,759,000	6,759,000
Operating Transfers In	20,452	5,787		25,512	51,751
Operating Transfers Out	(58,799)	(20,452)			(79,251)
Total Other Financing Sources/(Uses)	(38,347)	(14,665)		6,784,512	6,731,500
Excess of Revenues and Other Financing Sources Over/Under Expenditures	371,287	59,071	71,442	522,852	(750)
Fund Balances at Beginning of Year	984,508	160,431	82,120	2,969,411	2,600
Fund Balances End of Year	\$1,355,795	\$219,502	\$153,562	\$3,492,263	\$1,850

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

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UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,056,000	\$1,121,960	\$65,960	\$20,999	\$21,373	\$374
Income Taxes	250,000	257,306	7,306			
Intergovernmental	3,334,045	3,387,530	53,485	463,145	452,800	(10,345)
Interest	100,000	108,430	8,430			
Tuition and Fees	5,550	8,872	3,322	8,500	10,156	1,656
Extracurricular Activities				87,230	79,738	(7,492)
Gifts and Donations	450	450				
Rent	3,500	4,050	550			
Miscellaneous	35,000	34,969	(31)			
Total Revenues	4,784,545	4,923,567	139,022	579,874	564,067	(15,807)
Expenditures:						
Current:						
Instruction:						
Regular	2,074,215	1,921,660	152,555	87,125	40,564	46,561
Special	295,200	261,587	33,613	283,038	224,638	58,400
Vocational	191,681	172,409	19,272			
Other	380,311	379,994	317			
Support Services:						
Pupils	137,716	103,263	34,453			
Instructional Staff	196,589	175,176	21,413	33,032	13,016	20,016
Board of Education	27,538	15,642	11,896			
Administration	647,561	593,285	54,276	6,917	1,736	5,181
Fiscal	216,742	199,201	17,541	1,500	1,000	500
Operation and Maintenance of Plant	535,894	466,852	69,042			
Pupil Transportation	376,147	333,437	42,710	750		750
Central	26,727	13,760	12,967	15,922	14,482	1,440
Extracurricular Activities	105,916	103,337	2,579	110,533	99,365	11,168
Capital Outlay	30,800	28,000	2,800			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	5,243,037	4,767,603	475,434	538,817	394,801	144,016
Excess of Revenues Over(Under) Expenditures	(458,492)	155,964	614,456	41,057	169,266	128,209
Other Financing Sources:						
Proceeds of Notes						
Refund of Prior Year Expenditures	22,000	21,140	(860)			
Other Financing Sources				5,000	5,000	
Operating Transfers In		20,452	20,452	5,787	5,787	
Operating Transfers Out	(279,477)	(209,168)	70,309	(20,452)	(20,452)	
Total Other Financing Sources/(Uses)	(257,477)	(167,576)	89,901	(9,665)	(9,665)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(715,969)	(11,612)	704,357	31,392	159,601	128,209
Fund Balances (Deficit) at Beginning of Year	1,369,502	1,369,502		35,962	35,962	
Prior Year Encumbrances Appropriated	113,333	113,333		14,407	14,407	
Fund Balances (Deficit) at End of Year	\$766,866	\$1,471,223	\$704,357	\$81,761	\$209,970	\$128,209

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

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$142,796	\$145,333	\$2,537						
20,399	27,414	\$7,015	14,509,002	2,207,434	(12,301,568)			
			150,000	173,530	23,530			
			69,000	72,145	3,145	1,350	250	(1,100)
<u>163,195</u>	<u>172,747</u>	<u>9,552</u>	<u>14,728,002</u>	<u>2,453,109</u>	<u>(12,274,893)</u>	<u>1,350</u>	<u>250</u>	<u>(1,100)</u>
			75,500	47,206	28,294			
			6,866	6,453	413			
			15,732	11,799	3,933	1,250	1,000	250
3,500	4,436	(936)	86,884	7,860	79,024			
			17,164,380	13,358,740	3,805,640			
50,000	50,000			6,759,000	(6,759,000)			
<u>121,652</u>	<u>120,850</u>	<u>802</u>	<u>170,000</u>	<u>65,851</u>	<u>104,149</u>			
<u>175,152</u>	<u>175,286</u>	<u>(134)</u>	<u>17,519,362</u>	<u>20,256,909</u>	<u>(2,737,547)</u>	<u>1,250</u>	<u>1,000</u>	<u>250</u>
<u>(11,957)</u>	<u>(2,539)</u>	<u>9,418</u>	<u>(2,791,360)</u>	<u>(17,803,800)</u>	<u>(15,012,440)</u>	<u>100</u>	<u>(750)</u>	<u>(850)</u>
				6,759,000	6,759,000			
150,369	150,369		23,885	25,512	1,627			
<u>150,369</u>	<u>150,369</u>		<u>23,885</u>	<u>6,784,512</u>	<u>6,760,627</u>			
138,412	147,830	9,418	(2,767,475)	(11,019,288)	(8,251,813)	100	(750)	(850)
(10,918)	(10,918)		2,985,694	2,985,694		2,600	2,600	
			21,787	21,787				
<u>\$127,494</u>	<u>\$136,912</u>	<u>\$9,418</u>	<u>\$240,006</u>	<u>(\$8,011,807)</u>	<u>(\$8,251,813)</u>	<u>\$2,700</u>	<u>\$1,850</u>	<u>(\$850)</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Enterprise Fund</u>
Operating Revenues:	
Sales	\$149,350
Other Revenues	<u>80</u>
Total Operating Revenues	149,430
Operating Expenses:	
Salaries	82,856
Fringe Benefits	38,578
Purchased Services	360
Materials and Supplies	11,735
Cost of Sales	<u>109,360</u>
Total Operating Expenses	<u>242,889</u>
Operating Loss	<u>(93,459)</u>
Non-Operating Revenues:	
Federal Donated Commodities	14,561
Operating Grants	58,723
Interest	<u>101</u>
Total Non-Operating Revenues	<u>73,385</u>
Loss Before Operating Transfers	(20,074)
Operating Transfers In	<u>27,500</u>
Net Income	7,426
Retained Earnings at Beginning of Year	<u>11,036</u>
Retained Earnings at End of Year	<u><u>\$18,462</u></u>

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

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

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$148,905	\$148,475	(\$430)
Operating Grants	61,500	57,960	(3,540)
Interest		101	101
	210,405	206,536	(3,869)
Total Revenues			
Expenses:			
Salaries	83,059	80,759	2,300
Fringe Benefits	39,331	37,953	1,378
Purchased Services	447	360	87
Materials and Supplies	117,658	105,015	12,643
Capital Outlay	3,454	2,560	894
	243,949	226,647	17,302
Total Expenses			
Excess of Revenues Under Expenses	(33,544)	(20,111)	13,433
Operating Transfers In	31,045	27,500	(3,545)
Excess of Revenues Over (Under) Expenses and Transfers	(2,499)	7,389	9,888
Fund Balances at Beginning of Year	3,375	3,375	
Prior Year Encumbrances Appropriated	12,436	12,436	
	\$13,312	\$23,200	\$9,888
Fund Balances at End of Year			

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

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

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$148,475
Cash Payments for Salaries	(80,759)
Cash Payments for Fringe Benefits	(37,953)
Cash Payments for Goods and Services	<u>(104,671)</u>
Net Cash Used for Operating Activities	<u>(74,908)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	57,960
Cash Received from Operating Transfers In	27,500
Cash Paid for Advances Out	<u>(2,197)</u>
Net Cash Provided by Noncapital Financing Activities	<u>83,263</u>

Cash Flows from Investing Activities:

Interest	<u>101</u>
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Net Increase in Cash and Cash Equivalents	8,456
Cash and Cash Equivalents at Beginning of Year	<u>18,008</u>
Cash and Cash Equivalents at End of Year	<u><u>\$26,464</u></u>

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	(\$93,459)
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Adjustments to Reconcile Operating Loss to Net

Cash Used for Operating Activities:

Donated Commodities Used During Year	14,561
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(955)
Decrease in Inventory Held for Resale	1,843
Decrease in Materials and Supplies Inventory	180
Increase in Prepaid Items	(369)
Increase in Accounts Payable	200
Increase in Accrued Wages and Benefits	2,043
Increase in Compensated Absences Payable	791
Increase in Intergovernmental Payable	<u>257</u>

Net Cash Used for Operating Activities	<u><u>(\$74,908)</u></u>
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The notes to the financial statements are an integral part of this statement.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1929 through the consolidation of existing land areas and school districts. The School District serves an area of approximately ninety-five square miles. It is located in Auglaize, Hardin, and Logan Counties and includes all of the Villages of McGuffey and Alger, all of Marion and Roundhead Townships, and portions of Cessna, Lynn, and McDonald Townships. The School District is the 528th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by thirty-eight classified employees, fifty-eight certified teaching personnel, and four administrative employees who provide services to seven hundred ninety-three students and other community members. The School District currently operates three instructional buildings.

A. Reporting Entity:

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

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

The School District participates in five jointly-governed organizations and two insurance pools, and is associated with a related organization. These organizations are the West Central Ohio Special Education Regional Resource Center, Western Ohio Computer Organization, Ohio Hi-Point Joint Vocational School, Hardin County Schools Consortium Local Professional Development Committee, West Central Regional Professional Development Center, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, Ohio School Boards Association Workers' Compensation Group Rating Plan, and Alger Public Library. These organizations are presented in Notes 22, 23, and 24 to the general-purpose financial statements.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Upper Scioto Valley Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditure for specified purposes.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

2. Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds

Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The School District did not have any nonexpendable trust funds in fiscal year 2000. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and resources are available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Title VI-B special revenue fund is a flow-through grant in which the Hardin County Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Hardin County Budget Commission for rate determination.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2001.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditure, which is the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds and funds held by the Hardin County Educational Service Center, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for the enterprise funds.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

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

Cash and cash equivalents held for the School District by the Hardin County Educational Service Center are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent."

During fiscal year 2001, investments included mutual funds, federal agency securities, and STAR Ohio. Investments are reported at fair value, which is based on current share price for mutual funds and quoted market price for federal agency securities. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2001 was \$109,671, which included \$13,110 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

E. Inventory

Inventory in the enterprise funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory consists of donated and purchased food and is expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements and to create a reserve for budget stabilization.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables". Long-term interfund loans are classified as "Advances to/from Other Funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service with the School District.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. In general, payments made more than sixty days after fiscal year end are not considered to have been paid using current available expendable resources. Notes and capital leases are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate fund.

Under Ohio law, a debt service fund may be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require reporting the liability in the fund that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, capital improvements, budget stabilization, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

M. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

- Post Secondary Vocational Education
- Teacher Development
- Financial Literacy
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Ohio Reads
- Professional Development
- Title I
- Title VI
- Title VI-R
- Proficiency
- Goals 2000 Subsidy Grant
- Safe and Drug-Free Schools

Capital Projects Funds

- Emergency Building Repair
- Vocational Education Equipment
- SchoolNet
- Technology Equity
- Power Up

Reimbursable Grants

General Fund

- Driver Education

Enterprise Funds

- National School Lunch Program
- Special Milk Program
- Government Donated Commodities

Grants and entitlements were **76** percent of the revenues of the School District's governmental fund types during the 2001 fiscal year.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Use of Estimates

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

P. Total Columns on General Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. The implementation of GASB 33 had no impact on the previously reported June 30, 2000 fund balances and a material impact on the June 30, 2001 fund balances. Statement No. 36 did not have a material impact on the financial statements.

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2001, the Ohio Reads special revenue fund had a deficit fund balance of \$23. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The Classroom Facilities Capital Projects Fund had expenditures in excess of appropriations as presented on the budgetary statements, in the amount of \$2,847,452 for the fiscal year ended June 30, 2001. This unfavorable variance is due to the bond anticipation notes which matured and were rolled over in the same fiscal year. Since this roll over of notes did not represent the actual expenditure of new money it will not be considered a violation of Ohio Rev. Code Section 5705.41(B).

The District had actual revenues in excess of estimated revenues Enterprise Food Service Fund, the Enterprise Uniform School Supply Fund, and the Special Revenue Athletic Fund which violates the requirements of Ohio Rev. Code Section 5705.36.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE (Continued)

During the year ended June 30, 2000 the District did not certify all expenditures as required by Ohio Rev. Code Section 5705.41(D).

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Similar Fiduciary Fund Type and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the enterprise funds (GAAP basis).
- d. Although not part of the appropriated budget, the Title VI-B special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.
- e. The School District repays notes from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Excess of Revenues and Other Financing Sources Over (Under) Expenditures All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$371,287	\$59,071	\$71,442	\$522,852
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2000, Received in Cash FY 2001	160,382	139,020	971	1,000
Accrued FY 2001, Not Yet Received in Cash	(222,081)	(17,513)	(17,768)	(1,004,243)
Expenditure Accruals:				
Accrued FY 2000, Paid in Cash FY 2001	(473,034)	(30,827)		(51,393)
Accrued FY 2001, Not Yet Paid in Cash	489,779	35,893	350	671,139
Cash Adjustments:				
Unrecorded Activity FY 2000				12,323
Unrecorded Activity FY 2001	(1,158)			(4,450)
Prepaid Items	(5,564)	(157)		(13,829)
Note Principal Retirement			(50,000)	
Note Interest	7,534		(7,534)	
Reallocation of Debt Activity	(150,369)		150,369	
Excess of Revenues Over Expenditures for Nonbudgeted Funds		(11,303)		
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(188,388)	(14,583)		(11,152,687)
Budget Basis	<u>(\$11,612)</u>	<u>\$159,601</u>	<u>\$147,830</u>	<u>(\$11,019,288)</u>

Net Loss/Excess of Revenues Under Expenses Enterprise Funds	
GAAP Basis	\$7,426
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2000, Received in Cash FY 2001	9,036
Accrued FY 2001, Not Yet Received in Cash	(10,754)
Expense Accruals:	
Accrued FY 2000, Paid in Cash FY 2001	(30,082)
Accrued FY 2001, Not Yet Paid in Cash	33,373
Inventory Held for Resale	1,843
Materials and Supplies Inventory	180
Prepaid Items	(369)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(3,264)
Budget Basis	<u>\$7,389</u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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.

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

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

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

At fiscal year end, the School District had \$1,657 in undeposited cash on hand which is included on the combined balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents". The School District had \$11,850 in cash and cash equivalents held by the Hardin County Educational Service Center which is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$4,341,619 and the bank balance was \$4,498,656. Of the bank balance, \$201,301 was covered by federal depository insurance and \$4,297,355 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Mutual Funds and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Fair Value
Federal National Mortgage Association Notes	\$504,845	\$504,845
Mutual Funds		31,774
STAR Ohio		340,210
Totals		\$876,829

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$5,231,955	
Cash on Hand	(1,657)	
Cash with Hardin County Educational Service Center	(11,850)	
Investments:		
Federal National Mortgage Association Notes	(504,845)	504,845
Mutual Funds	(31,774)	31,774
STAR Ohio	(340,210)	340,210
GASB Statement No. 3	<u>\$4,341,619</u>	<u>\$876,829</u>

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of January 1, 2000, 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 real and tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Auglaize, Hardin, and Logan Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$131,985 in the General Fund, \$2,461 in the Maintenance Levy Special Revenue Fund, and \$17,768 in the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2000, was \$68,250 in the General Fund and \$971 in the Bond Retirement Debt Service Fund.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$39,135,140	84.96%	\$39,846,340	83.02%
Industrial/Commercial	1,953,480	4.24	1,896,020	3.95
Public Utility	4,231,500	9.19	4,512,510	9.40
Tangible Personal	742,500	1.61	1,743,559	3.63
Total Assessed Value	<u>\$46,062,620</u>	<u>100.00%</u>	<u>\$47,998,429</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.50		\$35.80	

8. INCOME TAXES

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

9. RECEIVABLES

Receivables at June 30, 2001, consisted of both property and income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental, interfund, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, the current year guarantee of federal funds, and the School District's policy on collecting student fees. Accounts receivable at June 30 were \$3,808.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Miscellaneous	\$35
Special Revenue Fund	
Title I	6,187
Title VI-R	8,840
Total Special Revenue Funds	15,027
Capital Projects Funds	
Ohio School Facilities	12,303,986
Vocational Equipment	2,674
Total Capital Projects Funds	12,306,660
Enterprise Fund	
Food Service	7,040
Total Intergovernmental Receivables	<u>\$12,328,762</u>

10. FIXED ASSETS

The School District did not record any additions, reductions, or depreciation for enterprise fund fixed assets for the fiscal year ended June 30, 2001. The following amounts represent balances at June 30, 1998.

Furniture and Equipment	\$76,295
Less Accumulated Depreciation	(62,051)
Net Fixed Assets	<u>\$14,244</u>

The School District did not record any additions or reductions to general fixed assets for the fiscal years ended June 30, 2001. The following amounts represent balances at June 30, 1998.

Asset Category	Balance at 6/30/1998
Buildings and Improvements	\$2,338,495
Furniture, Fixtures, and Equipment	1,195,532
Vehicles	316,454
Total	<u>\$3,850,481</u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. SIGNIFICANT CONTRACTUAL COMMITMENTS

At June 30, 2001, the School District had the following significant contractual commitments:

Company	Project	Contract Amount	Remaining Balance
Mr. Concrete	New School K - 12	\$ 19,360	\$ 19,360
George Igel	New School K - 12	1,088,702	687,008
Howard Runkle	New School K - 12	75,325	75,325
Peterson	New School K - 12	5,991,700	5,220,062
Exterior Systems	New School K - 12	519,500	509,840
Poulster	New School K - 12	200,795	200,795
Slagle	New School K - 12	584,068	485,210
Vaughn	New School K - 12	2,949,900	2,736,832
Esquire Data	New School K - 12	750,522	750,522
Central Fire	New School K - 12	211,733	189,777
Deitering	New School K - 12	32,800	32,800

12. INTERFUND ASSETS/LIABILITIES

As of June 30, 2001, the General Fund had an interfund receivable and the Uniform School Supplies enterprise fund had an interfund payable, in the amount of \$10,000.

As of June 30, 2001, the General Fund had \$871 due from other funds for services provided. The Disadvantaged Pupil Impact Aid and Title I Special Revenue Funds owed the General Fund \$446 and \$425 respectively.

13. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Indiana Insurance Company for the following insurance coverage:

Building and Contents - Replacement Cost (\$500 deductible)	\$15,445,006
Musical Instruments (\$100 deductible)	66,402
Automobile Liability (\$250 deductible)	1,000,000
Commercial Umbrella	3,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

13. RISK MANAGEMENT (Continued)

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

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Plan.

14. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$211,081, \$118,780, and \$110,532, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$33,496, is recorded as a liability within the respective funds.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

14. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$26,796, \$31,717, and \$39,505, respectively; 41 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$15,954, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2001, three members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

15. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$99,986 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000. For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

15. POSTEMPLOYMENT BENEFITS

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 8.5 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$75,227 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

16. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. The superintendent and treasurer earn twenty days of vacation per year. Accumulated unused vacation time is paid to the classified employees, superintendent, and 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 ten days for classified employees and two hundred twenty-four days for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of fifty-two days for classified employees and fifty-five days for certified employees.

B. Employee Insurance Benefits

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

17. NOTES PAYABLE

In fiscal year 1993, the School District issued \$435,000 in energy conservation notes for providing energy conservation measures for the School District. The notes were issued under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372 for a ten year period, with final maturity during fiscal year 2003. During fiscal year 2001, principal, in the amount of \$50,000, was retired from the General Fund. The outstanding balance at June 30, 2001, was \$85,000.

Principal and interest requirements to retire the notes at June 30, 2001, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	55,000	4,459	59,459
2003	30,000	923	30,923
Total	<u>\$85,000</u>	<u>\$5,382</u>	<u>\$90,382</u>

18. CAPITAL LEASE - LESSEE DISCLOSURE

The School District has entered into capitalized leases for facilities and equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Capital Outlay" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments have been reclassified and are reflected as debt service expenditures on the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group, in the amount of \$950,551. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 were \$35,827 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	General Long-Term Obligations Account Group
2002	73,159
2003	73,158
2004	130,000
2005	34,000
2006	34,000
2007 - 2011	170,000
2012 - 2016	170,000
2017 - 2021	170,000
2022 - 2026	170,000
2027 - 2031	170,000
2032 - 2041	323,000
Total	1,517,317
Less Amount Representing Interest	(672,137)
Present Value of Net Minimum Lease Payments	<u>\$845,180</u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

19. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Interest Rate	Balance at 6/30/2000	Additions	Reductions	Balance at 6/30/2001
Notes Payable	3.52%	\$2,253,000	\$6,759,000	\$6,759,000	\$2,253,000
Other Long-Term Obligations					
Compensated Absences Payable		253,455	35,012		288,467
Intergovernmental Payable		55,317	75,848	55,317	75,848
Capital Lease Payable		881,007		35,827	845,180
Total Other Long-Term Obligations		<u>1,189,779</u>	<u>110,860</u>	<u>91,144</u>	<u>1,209,495</u>
Total General Long-Term Obligations		<u>\$3,442,779</u>	<u>\$6,869,860</u>	<u>\$6,850,144</u>	<u>\$3,462,495</u>

Notes Payable - On December 23, 1999, the School District issued unvoted general obligation notes, in the amount of \$2,253,000, for the construction of a new school facility. The notes have an interest rate of 4.94 percent and mature on July 26, 2000.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid. The capital lease will be paid from the General Fund.

The School District's overall debt margin was \$2,220,421 with an unvoted debt margin of \$47,998 at June 30, 2001.

20. SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization, which was eliminated by S.B. 345, during fiscal year 2001.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2000	(\$38,074)	\$125,313	\$30,174
Current Year Set Aside Requirement	97,743	97,743	
Legislative Reduction			(6,341)
Qualifying Expenditures	<u>(90,893)</u>	<u>(8,951)</u>	
Amount Carried Forward to Fiscal Year 2002	<u>(31,224)</u>	<u>214,105</u>	<u>23,833</u>
Set Aside Reserve Balance June 30, 2001	<u>\$0</u>	<u>\$214,105</u>	<u>\$23,833</u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

20. SET ASIDE REQUIREMENTS (Continued)

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for set asides at the end of the fiscal year was \$237,938.

21. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenues	\$129,691	\$19,739	\$149,430
Operating Income (Loss)	(99,312)	5,853	(93,459)
Federal Donated Commodities	14,561		14,561
Operating Grants	58,723		58,723
Net Income (Loss)	1,573	5,853	7,426
Net Working Capital	(4,687)	16,413	11,726
Total Assets	35,015	26,820	61,835
Total Equity	2,049	16,413	18,462
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	30	3,234	3,264

22. JOINTLY GOVERNED ORGANIZATIONS

A. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly-governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326-2385.

B. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, 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. Financial information can be obtained from Larry Wilberding, who serves as Director, 129 East Court Street, Sidney, Ohio 45365.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

22. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Ohio Hi-Point Joint Vocational School

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

D. Hardin County Schools Consortium Local Professional Development Committee

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

E. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (the Center) is a jointly-governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

23. INSURANCE POOLS

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

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

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

23. INSURANCE POOLS (Continued)

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

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

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

24. RELATED ORGANIZATION

Alger Public Library

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

25. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution was not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of March 26, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

25. STATE SCHOOL FUNDING DECISION (Continued)

On November 2, 2001, the Supreme Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

26. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

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

C. Liability

The School District has been assessed interest and penalties, by the Internal Revenue Service, for the late remittance of federal taxes during fiscal years 1999, 2000 and 2001. Initially, the total interest and penalties assessed were \$151,488, however, \$127,957 has been abated which leaves a remaining liability of \$23,531. This remaining liability may be subject to further interest and penalties as determined by the Internal Revenue Service. As of the date of these financial statements, the School District does not know the exact amount of the final liability.

**UPPER SCIOTO VALLEY LOCAL SCHOOL
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED June 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$14,561		\$16,444
National School Lunch Program	04-PU	10.555	53,771		53,771	
Special Milk Program	02-PU	10.556	1,059		1,059	
Total U.S. Department of Agriculture			<u>54,830</u>	<u>14,561</u>	<u>54,830</u>	<u>16,444</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title 1, Part A, ESEA	C1-S1-99 C	84.010			10,982	
	C1-S1-00 C	84.010	160,462		56,358	
	C1-S1-01	84.010	191,931		136,956	
Total Title 1, Part A, ESEA			<u>352,393</u>		<u>204,296</u>	
I Title VI, Innovative Education Program Strategies	C2-S1-01	84.298	7,718		2,534	
	C2-S1-00C	84.298			1,761	
Total Innovative Education Program Strategies			<u>7,718</u>		<u>4,295</u>	
Eisenhower Professional Development State Grant, Title II, Part B	MS-S1-01	84.281	3,566			
Safe and Drug-Free Schools	DR-S1-01	84.186	3,212		1,891	
Goals 2000 Subsidy Grant	G2-S2-00	84.276	27,000		1,996	
Class Size Reduction	CR-S1-01	84.340	12,433		17,761	
	CR-S1-00C	84.340	10,217		7,084	
Total Class Size Reduction			<u>22,650</u>		<u>24,845</u>	
Total Department of Education			<u>416,539</u>		<u>237,323</u>	
Total Federal Financial Assistance			<u>\$471,369</u>	<u>\$14,561</u>	<u>\$292,153</u>	<u>\$16,444</u>

The accompanying notes to this schedule are an integral part of this schedule.

**UPPER SCIOTO VALLEY LSD
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

NOTE A - BASIS OF ACCOUNTING

The accompanying Schedule of Federal Awards Expenditures (the "Schedule") summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting. Revenues are recognized when received rather than when earned, and expenditures are recorded when paid rather than when the obligation is incurred.

NOTE B- NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the School District had no significant food commodities in inventory.

NOTE C-FEDERAL AWARDS EXPENDITURES ADMINISTERED BY OTHER GOVERNMENTS

The School District benefitted from other federal award expenditure programs which were passed through the State Department of Education to the Hardin County Educational Service Center. These programs are administered by the Hardin County Educational Service Center and are audited according to the Single Audit Act (A-133) at that level. The financial activity of these federal award expenditures programs is not reflected in the accompanying Schedule of Federal Award Expenditures.

FEDERAL GRANTOR/ Pass Through Grantor/ Program Titles	Federal CFDA Number	Amount of Allotment
UNITED STATES DEPARTMENT OF EDUCATION		
Passed through Ohio Department of Education - to Hardin County Educational Service Center		
Special Education Grants to States	84.027	\$69,184



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Upper Scioto Valley Local School District
Hardin County
510 Courtright Street
McGuffey, Ohio 45859

To the Board of Education:

We have audited the financial statements of the Upper Scioto Valley Local School District, Hardin County (the "School District"), as of and for the years ended June 30, 2001, and have issued our report thereon dated March 26, 2002, which was qualified for our inability to obtain sufficient evidential matter supporting additions or reductions to General Fixed Assets and Enterprise Fund assets and depreciation for Enterprise Fund assets. As discussed in Note 3 to the general purpose financial statements, during fiscal year 2001 the School District adopted Governmental Accounting Statement No. 33, *Accounting and Financial Reporting for Non exchange Transactions*. Except as discussed in the first sentence we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-10233-001 through 2001-10233-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated March 26, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-10233-004 through 2001-10233-07.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-10233-005 through 2001-10233-007 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated March 26, 2002.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 26, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Upper Scioto Valley Local School District
Hardin County
510 Courtright Street
McGuffey, Ohio 45859

To the Board of Education:

Compliance

We have audited the compliance of Upper Scioto Valley Local School District, Hardin County, (the "School District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 26, 2002

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
LOGAN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1, Part A, ESEA CFDA: 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2001-10233-001

Noncompliance Citation

Ohio Rev. Code Section 5705.36 allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriations or supplemental appropriation.

During 2001, numerous funds had actual revenues greater than budgeted revenues. The additional revenues were then appropriated by the School District without amending the certificate of estimated resources. The more significant deficiencies were in the following funds:

Enterprise Fund - Food Service	\$46,133
Enterprise Fund - Uniform School Supply	14,590
Special Revenue - Athletic Fund	49,748

By not preparing and amending when necessary its certificate of estimated resources, the School District can not make reasonable decisions regarding the monies it has available for appropriation and expenditure. The School District should monitor its budgeted revenues versus its actual revenues throughout the year and amend its certificate of estimated resources accordingly.

FINDING NUMBER 2001-10233-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states that no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than \$1,000 for school districts may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

**FINDING NUMBER 2001-10233-002
(Continued)**

Twelve percent (12%) of the transactions tested were not certified by the Treasurer prior to making orders for the expenditure of School District funds. In addition, neither of the two exceptions above were utilized for these transactions. Procedures should be implemented by the School District not only to help ensure compliance with this requirement, but to help prevent the unauthorized obligation of School District funds.

FINDING NUMBER 2001-10233-003

Noncompliance Citation

26 USC, Section 3402, Internal Revenue Code, requires every employer making payment of wages to deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury.

During fiscal year 2001, the School District withheld Federal income tax and Medicare tax withholdings in the amount of \$164,206.30, however these withholdings were not remitted timely to the Internal Revenue Service.

The failure to remit Federal income tax and Medicare tax withholdings could result in penalties, fines, and/or interest charges to be assessed against the School District. Monitoring procedures should be implemented by the School District to help assure that all withholdings are remitted in a timely manner.

FINDING NUMBER 2001-10233-004

Reportable Condition

Student Activity Records

Student activity advisors should prepare activity budgets, maintain activity ledgers, and prepare sales project potential forms for each fund-raiser within their activity. In addition, advisors should be responsible for maintaining and controlling the inventory of goods to be sold for their respective activities. Some School District student activities did not prepare activity budgets, maintain activity ledgers or inventory records, or prepare sales project potential forms. The failure to maintain adequate student activity records inhibits the Board's and management's ability to properly monitor student activities. Failure to maintain proper counts of unsold, donated, or spoiled inventory and lack of accountability for individual receipts could lead to errors or irregularities which could remain undetected in the normal course of business.

An annual student activity budget will assist the advisor in determining the needed fund raisers to achieve the goals of the activity. Sales project potential forms are an efficient way for advisors to account for all the activity of a fund raiser. A properly completed sales project potential form will show the expected profit from an event, how actual revenue compared to expected revenue, and explain the reason(s) for any variance.

Sales project potential forms should be completed by the activity advisors and submitted to the appropriate administrators for approval. The activity ledgers should be maintained by the group in order to allow them to perform a monthly reconciliation with the Treasurer's records. The ledgers should identify the amount and source of all revenues and expenditures, along with the current fund balance of the group. Inventory records should show purchases, sales, ending balances, and the location of the inventory.

To help assure that activity advisors understand the requirements of student activity records the School District should conduct annual training. To facilitate this training the School District should review MAS Bulletin 93-13.

FINDING NUMBER 2001-10233-005

Material Weakness

Monitoring of Budget versus Actual Activity

The governing body should review and approve monthly budget versus actual activity reports to determine if receipts and expenditures are in line and in compliance with the adopted budget. By performing this comparison, the governing body can readily identify areas of concern and make appropriate budgetary adjustments. There was no evidence to indicate that the School District's Board periodically reviewed or received budgetary reports from the Treasurer.

The lack of a periodic review of budgetary reports by the School District's Board could result in material budgetary variances and/or budgetary non-compliance that is not identified in the normal course of business or are not reported by the Treasurer.

The Treasurer should provide the School District's Board with monthly budgetary reports for their review and approval. Periodically the School District's Board and/or audit committee should perform a review of the budgeted numbers presented in the accounting system to determine if they reflect the approved budget. Evidence of this review and approval should be maintained by the School District.

FINDING NUMBER 2001-10233-006

Material Weakness

Bank-To-Book Reconciliations

Monthly bank-to-book reconciliations should be performed by the financial officer and be presented to the governing body for their review and approval. This procedure helps the governing body to effectively monitor the cash position and activity of the entity. The School District did not perform bank to book reconciliations for the first six months of the fiscal year. Although the School District did perform bank to book reconciliations during the second six months of fiscal year 2001, there were unexplained reconciling items. As a result the School District's Board was unable to detect that transaction posting errors had occurred and that some payroll withholdings had not been remitted. In addition, the failure to perform reconciliations could result in other irregularities, overdrafts, or the misappropriation of assets not being detected in the normal course of business.

The Treasurer should perform a monthly bank-to-book reconciliation which explains all reconciling items. This reconciliation should be presented to the School District's Board for their review and approval. Evidence of this review and approval should be maintained by the School District. Periodically, the School District's Board and/or audit committee should perform a more in depth review of the reconciliations to determine the validity of all reconciling items and balances.

FINDING NUMBER 2001-10233-007

Material Weakness

Fixed Asset Activity

Fixed asset records should be maintained in a manner that easily identifies additions, deletions, and depreciation expense for fixed assets. The School District did not maintain these records in a manner that allowed for the recording of additions, deletions, and depreciation expense to their fixed assets for fiscal year 2001. As a result, it could not be determined if the fixed asset balances at June 30, 2001 were accurately stated which resulted in an opinion qualification on the School District's financial statements.

The School District should perform a physical inventory of all fixed assets. The accounting transaction records should then be reviewed between the time of the physical inventory and reporting year-end to allow for any necessary adjustments to the reported balances as a result of additions and deletions. In addition, depreciation expense should be charged against applicable assets.

3. FINDINGS FOR FEDERAL AWARDS

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
001	ORC 5705.10	Yes	
002	ORC 5705.36	No	Not corrected. Repeated as Finding 2001-10233-001.
003	ORC 5705.39	No	Partially corrected. Repeated in management letter.
004	ORC 5705.41(B)	Yes	
005	ORC 5705.41(D)	No	Not corrected. Repeated as Finding 2001-10233-002.
006	26 USC, Section 3402, Internal Revenue Code	No	Not corrected. Repeated as Finding 2001-10233-003.
007	Student Activity Records	No	Not corrected. Repeated as Finding 2001-10233-004.
008	Fixed Asset Activity	No	Not corrected. Repeated as Finding 2001-10233-007.
009	Bank-to-Book Reconciliations	No	Not corrected. Repeated as Finding 2001-10233-006.
010	Monitoring of Budget versus Actual Activity	No	Not corrected. Repeated as Finding 2001-10233-005.



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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
APRIL 18, 2002**