



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County (the School District), as of and for the fiscal year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in the cash financial position and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

September 22, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The management's discussion and analysis of Upper Scioto Valley Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009, within the limitations of cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and notes to the financial statements to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2009 are as follows:

- The total net assets of the School District increased \$1,125,691 or 29.94% from fiscal year 2008.
- General cash receipts accounted for \$7,117,759 or 86.33% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,127,535 or 13.67% of total governmental activities cash receipts.
- The School District had \$7,119,603 in cash disbursements related to governmental activities; \$1,127,535 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (grants and entitlements not restricted to specific programs) of \$7,117,759 were not adequate to provide for these programs.
- The School District's major funds are the General Fund and Permanent Improvement Capital Projects Fund. The General Fund, the School District's largest major fund, had cash receipts and other financing sources of \$6,308,942 in 2009. The cash disbursements of the General Fund totaled \$5,920,865 in 2009. The General Fund's cash balance increased \$388,077 or 15.75% from 2008 to 2009.
- The Permanent Improvement Capital Projects Fund, a School District major fund, had cash receipts and other financing sources of \$964,004 in 2009. The Permanent Improvement Capital Projects Fund had cash disbursements of \$222,566 in 2009. The Permanent Improvement Capital Projects Fund cash balance increased \$741,438 or 207.09% from 2008 to 2009.

Using the Basic Financial Statements (BFS)

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answers the question, “How did we do financially during 2009?” These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, the Governmental Activities include School District's programs and services including instruction, support services such as operation and maintenance of plant and pupil transportation, extracurricular activities, and food service operations.

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis can be found on pages 13 and 14 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Permanent Improvement Capital Projects Fund. The analysis of the School District's major governmental funds begins on page 9.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Governmental Funds

All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various School District programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15 and 16 of this report.

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The School District's only fiduciary funds are a private purpose trust fund and an agency fund. Only the cash held at year end for these funds is reported on page 18-19.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-42 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the School District as a whole. The table below provides a summary of the School District's net cash assets for 2009 and 2008.

	Change in Net Cash Assets	
	Governmental Activities 2009	Governmental Activities 2008
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,884,791	\$3,758,459
Cash and Cash Equivalents with Fiscal Agent	397	1,038
Total Assets	4,885,188	3,759,497
Net Assets		
Restricted	2,045,873	1,308,799
Unrestricted	2,839,315	2,450,698
Total Net Assets	\$4,885,188	\$3,759,497

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

The total net cash assets of the School District increased \$1,125,691 which represents a 29.94% increase from fiscal year 2008. The increase in net assets is primarily due to the issuance of \$576,000 of energy conservation notes and the inception of a \$284,000 lease-purchase agreement. The cash related to these two items are reported in cash assets of the School District at fiscal year end.

The balance of government-wide unrestricted net cash assets of \$2,839,315 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal year 2009 and 2008.

	Governmental Activities 2009	Governmental Activities 2008
Change in Net Cash Assets		
Cash Receipts:		
Program Cash Receipts:		
Charges for Services and Sales	\$ 306,548	\$ 372,687
Operating Grants and Contributions	806,019	705,098
Capital Grants and Contributions	14,968	13,463
Total Program Cash Receipts	1,127,535	1,091,248
General Cash Receipts:		
Property Taxes	1,475,406	1,422,537
Income Taxes	347,867	368,165
Unrestricted Grants and Entitlements	4,275,315	4,250,007
Investment Earnings	26,644	82,104
Inception of Lease-Purchase Agreement	284,000	
Sale of Assets	395	
Sale of Notes	576,000	
Rent	103,592	110,930
Other	28,540	22,432
Total General Cash Receipts	7,117,759	6,256,175
Total Cash Receipts	8,245,294	7,347,423
Cash Disbursements:		
Instruction:		
Regular	2,945,614	2,822,572
Special	822,104	808,190
Vocational	2,110	

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Change in Net Cash Assets

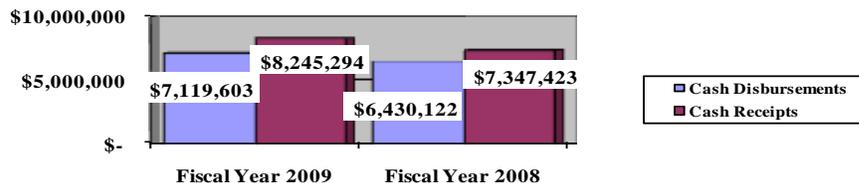
	Governmental Activities 2009	Governmental Activities 2008
Support Services:		
Pupil	112,394	152,290
Instructional Staff	157,589	148,074
Board of Education	60,875	37,839
Administration	636,244	550,673
Fiscal	267,785	226,979
Operations and Maintenance of Plant	774,201	579,143
Pupil Transportation	339,215	386,114
Central	270,648	130,069
Operation of Non-instructional Services:		
Food Service Operations	253,391	222,890
Other Non-Instructional Services	147	
Extracurricular	186,771	147,587
Facilities Acquisition and Construction	116,886	46,079
Debt Service:		
Principal Retirement	85,000	80,000
Interest and Fiscal Charges	88,629	91,623
Total Cash Disbursements	7,119,603	6,430,122
Change in Net Cash Assets	1,125,691	917,301
Net Cash Assets at Beginning of Year	3,759,497	2,842,196
Net Cash Assets at End of Year	\$4,885,188	\$3,759,497

Governmental Activities

Governmental cash assets increased by \$1,125,691 in 2009 from 2008. Total governmental disbursements of \$7,119,603 were offset by program receipts of \$1,127,535 and general receipts of \$7,117,759. Program revenues supported 15.84% of the total governmental disbursements. The largest governmental disbursements were instructional expenditures which totaled \$3,769,828 or 52.95% of total governmental expenditures.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements not restricted to specific programs. These receipt sources represent 73.96% of total governmental receipts. Real estate property is reappraised every six years.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



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

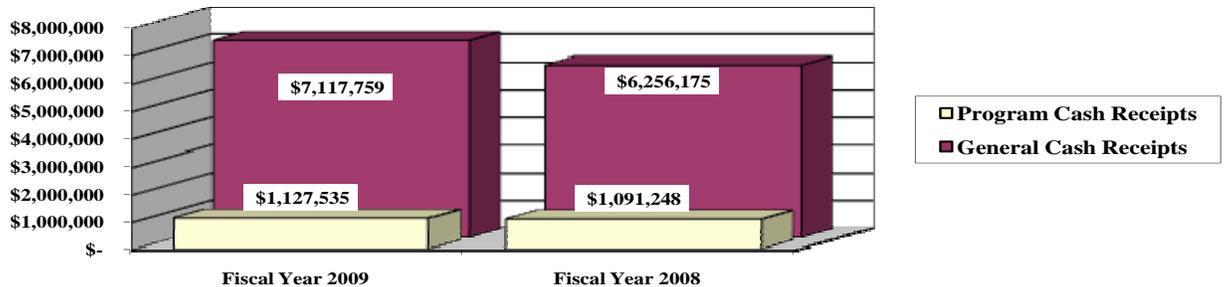
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Cash Disbursements:				
Instruction:				
Regular	\$ 2,945,614	\$ 2,745,365	\$ 2,822,572	\$ 2,634,417
Special	822,104	335,847	808,190	258,584
Vocational	2,110	(3,949)		(3,308)
Support Services:				
Pupil	112,394	98,070	152,290	152,290
Instructional Staff	157,589	120,779	148,074	148,074
Board of Education	60,875	60,875	37,839	37,839
Administration	636,244	609,773	550,673	550,673
Fiscal	267,785	267,785	226,979	226,979
Operations and Maintenance	774,201	773,861	579,143	579,143
Pupil Transportation	339,215	313,071	386,114	381,651
Central	270,648	257,333	130,069	116,069
Operation of Non-instructional Services:				
Food Service Operations	253,391	(5,953)	222,890	(11,376)
Other Non-Instructional Services	147	147		
Extracurricular	186,771	134,549	147,587	50,137
Facilities Acquisition and Construction	116,886	110,886	46,079	46,079
Debt Service:				
Principal Retirement	85,000	85,000	80,000	80,000
Interest and Fiscal Charges	88,629	88,629	91,623	91,623
Total	\$ 7,119,603	\$ 5,992,068	\$ 6,430,122	\$ 5,338,874

The dependence upon general cash receipts for governmental activities is apparent; with 84.16% of cash disbursements supported through taxes and other general cash receipts during 2009.

Governmental Activities - General and Program Cash Receipts



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Financial Analysis of the Government's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

The School District's governmental funds reported a combined fund cash balance of \$4,885,188, which is \$1,125,691 higher than last year's total of \$3,759,497. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2009 and June 30, 2008, for all major and non-major governmental funds.

	<u>Fund Cash Balance June 30, 2009</u>	<u>Fund Cash Balance June 30, 2008</u>	<u>Increase (Decrease)</u>
Major Funds:			
General	\$2,852,746	\$2,464,669	\$ 388,077
Permanent Improvement	1,099,472	358,034	741,438
Other Non-major Governmental Funds	932,970	936,794	(3,824)
Total	<u>\$4,885,188</u>	<u>\$3,759,497</u>	<u>\$1,125,691</u>

General Fund

The General Fund, the School District's largest major fund, had cash receipts and other financing sources of \$6,308,942 in 2009. The cash disbursements of the General Fund, totaled \$5,920,865 in 2009. The General Fund's cash balance increased \$388,077 or 15.75% from 2008 to 2009.

The table that follows assists in illustrating the cash receipts of the General Fund.

	<u>2009 Amount</u>	<u>2008 Amount</u>	<u>Percentage Change</u>	
Cash Receipts:				
Property Taxes	\$1,294,294	\$1,240,994	4.29	%
Income Taxes	347,867	368,165	(5.51)	%
Tuition	75,343	150,135	(49.82)	%
Earnings on Investments	26,049	79,674	(67.31)	%
Miscellaneous	58,894	16,583	255.15	%
Intergovernmental	4,506,100	4,503,921	0.05	%
Total	<u>\$6,308,547</u>	<u>\$6,359,472</u>	(0.80)	%

Tuition receipts decreased due to a decrease in the number of open enrollment students attending the School District. The School District's decrease in investment earnings was due to reduced interest rates between 2008 and 2009. The miscellaneous receipts increased due to an increase in other local receipts received by the School District in fiscal year 2009. All other cash receipts remained comparable to 2008.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

	2009 Amount	2008 Amount	Percentage Change	
Cash Disbursements:				
Instruction	\$3,425,764	\$3,398,199	0.81	%
Support Services	2,269,256	1,942,800	16.80	%
Operation of Non-Instruction	147		100.00	%
Extracurricular	112,133	91,661	22.33	%
Facilities Acquisition and Construction	113,565	34,000	234.01	%
Total	<u>\$5,920,865</u>	<u>\$5,466,660</u>	8.31	%

Support Services increased 16.80% due to an increase in administration and operations and maintenance costs. Extracurricular cash disbursements increased 22.33% but the amount is not significant when compared to the total cash disbursements. Facilities Acquisition and Construction increased 234.01% due to new projects such as wind energy turbines and a green energy laboratory. All other cash disbursements remained comparable to 2008. Overall, cash disbursements increased \$454,205 from 2008.

Permanent Improvement Fund

The Permanent Improvement Capital Projects Fund, a School District major fund, had cash receipts and other financing sources of \$964,004 in 2009. The Permanent Improvement Capital Projects Fund had cash disbursements of \$222,566 in 2009. The Permanent Improvement Capital Projects Fund cash balance increased \$741,438 or 207.09% from 2008 to 2009. The increase in fund balance is primarily attributed to the issuance of \$576,000 of energy conservation notes and the inception of a \$284,000 lease-purchase agreement. The cash related to these two items is reported in cash assets of the Permanent Improvement Capital Projects Fund of the School District at fiscal year end.

Budgeting Highlights - General Fund

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

For the General Fund, final budget basis receipts and other financing sources were \$35,753 higher than original budget estimates of \$6,265,503. Actual cash receipts and other financing sources of \$6,308,942 were more than final budget estimates by \$7,686. The final budgetary basis disbursements of \$6,193,431 were more than original budget estimates of \$6,080,242. The actual budgetary basis disbursements of \$6,170,717 were \$22,714 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The School District had facilities acquisition and construction disbursements of \$116,886 during fiscal year 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2009 and 2008. The balances at June 30, 2008 have been restated to include accreted interest on the capital appreciation bonds.

	Governmental Activities 2009	(Restated) Governmental Activities 2008
General Obligation Bonds	\$1,923,992	\$2,001,746
Energy Conservation Notes	576,000	
Lease-Purchase Obligation	284,000	
Capital Lease	621,569	631,675
Total Long-Term Obligations	<u>\$3,405,561</u>	<u>\$2,633,421</u>

Current Financial Related Activities

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kristine Blind, Treasurer, Upper Scioto Valley Local School District, P.O. Box 305, McGuffey, Ohio 45812.

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2009**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,884,791
Cash and Cash Equivalents with Fiscal Agent	397
Total Assets	4,885,188
 Net Assets:	
Restricted for:	
Capital Projects	1,477,760
Debt Service	298,195
Classroom Facilities Maintenance	136,163
State Funded Programs	5,425
Federally Funded Programs	32,285
District Managed Student Activities	8,918
Public School Support	4,198
Other Purposes	82,929
Unrestricted	2,839,315
Total Net Assets	\$4,885,188

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipt and Change In Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$2,945,614	\$118,330	\$81,919	(\$2,745,365)
Special	822,104		486,257	(335,847)
Vocational	2,110		6,059	3,949
Support Services:				
Pupils	112,394		14,324	(98,070)
Instructional Staff	157,589		36,810	(120,779)
Board of Education	60,875			(60,875)
Administration	636,244		26,471	(609,773)
Fiscal	267,785			(267,785)
Operation and Maintenance of Plant	774,201	340		(773,861)
Pupil Transportation	339,215		17,176	(313,071)
Central	270,648		13,315	(257,333)
Operation of Non-Instructional Services:				
Food Services	253,391	135,656	123,688	5,953
Other Non-Instructional Services	147			(147)
Extracurricular Activities	186,771	52,222		(134,549)
Facilities Acquisition and Construction	116,886			(110,886)
Debt Service:				
Principal Retirement	85,000			(85,000)
Interest and Fiscal Charges	88,629			(88,629)
Total Governmental Activities	<u>\$7,119,603</u>	<u>\$306,548</u>	<u>\$806,019</u>	<u>(\$14,968)</u>
General Receipts:				
Property Taxes Levied for:				
General Purposes				1,294,294
Classroom Maintenance				22,614
Debt Service				158,498
Income Taxes Levied for General Purposes				347,867
Grants and Entitlements not Restricted to Specific Programs				4,275,315
Interest				26,644
Inception of Lease-Purchase Agreement				284,000
Sale of Assets				395
Sale of Notes				576,000
Rent				103,592
Miscellaneous				28,540
Total General Receipts				<u>7,117,759</u>
Change in Net Assets				1,125,691
Net Assets at Beginning of Year				<u>3,759,497</u>
Net Assets at End of Year				<u>\$4,885,188</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,839,315	\$1,099,472	\$932,573	\$4,871,360
Cash and Cash Equivalents with Fiscal Agent			397	397
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	13,431			13,431
Total Assets	<u>2,852,746</u>	<u>1,099,472</u>	<u>932,970</u>	<u>4,885,188</u>
Cash Fund Balances:				
Reserved for Encumbrances	249,852	213,122	115,194	578,168
Reserved for Bus Purchase	13,431			13,431
Reserved for Debt Service			296,976	296,976
Unreserved, Undesignated, Reported In:				
General Fund	2,589,463			2,589,463
Special Revenue Funds			277,026	277,026
Capital Projects Funds		886,350	243,774	1,130,124
Total Cash Fund Balances	<u>\$2,852,746</u>	<u>\$1,099,472</u>	<u>\$932,970</u>	<u>\$4,885,188</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Cash Receipts:				
Property Taxes	\$1,294,294		\$181,112	\$1,475,406
Income Taxes	347,867			347,867
Tuition	75,343			75,343
Earnings on Investments	26,049	\$412	196	26,657
Charges for Services			135,656	135,656
Extracurricular			52,222	52,222
Classroom Materials and Fees	24,014		18,973	42,987
Rent	340	103,592		103,932
Other	34,540			34,540
Intergovernmental - Intermediate	2,100			2,100
Intergovernmental - State	4,504,000		53,069	4,557,069
Intergovernmental - Federal			531,120	531,120
Total Cash Receipts	<u>6,308,547</u>	<u>104,004</u>	<u>972,348</u>	<u>7,384,899</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	2,846,360		99,254	2,945,614
Special	577,294		244,810	822,104
Vocational	2,110			2,110
Support Services:				
Pupils	95,677	3,626	13,091	112,394
Instructional Staff	119,325		38,264	157,589
Board of Education	60,875			60,875
Administration	610,153		26,091	636,244
Fiscal	261,470		6,315	267,785
Operation and Maintenance of Plant	575,208	168,940	30,053	774,201
Pupil Transportation	289,215	50,000		339,215
Central	257,333		13,315	270,648
Operation of Non-Instructional Services:				
Food Service Operations			253,391	253,391
Other Non-Instructional Services	147			147
Extracurricular Activities	112,133		74,638	186,771
Facilities Acquisition and Construction	113,565		3,321	116,886
Debt Service:				
Principal Retirement			85,000	85,000
Interest and Fiscal Charges			88,629	88,629
Total Cash Disbursements	<u>5,920,865</u>	<u>222,566</u>	<u>976,172</u>	<u>7,119,603</u>
Cash Receipts Over (Under) Cash Disbursements	<u>387,682</u>	<u>(118,562)</u>	<u>(3,824)</u>	<u>265,296</u>
Other Financing Sources:				
Sale of Assets	395			395
Inception of Lease-Purchase Agreement		284,000		284,000
Sale of Notes		576,000		576,000
Total Other Financing Sources	<u>395</u>	<u>860,000</u>		<u>860,395</u>
Net Change in Fund Balances	388,077	741,438	(3,824)	1,125,691
Fund Balances at Beginning of Year	<u>2,464,669</u>	<u>358,034</u>	<u>936,794</u>	<u>3,759,497</u>
Fund Balances at End of Year	<u>\$2,852,746</u>	<u>\$1,099,472</u>	<u>\$932,970</u>	<u>\$4,885,188</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
Receipts:				
Property Taxes	\$1,227,284	\$1,234,287	\$1,294,294	\$60,007
Income Taxes	345,031	347,000	347,867	867
Tuition	103,410	104,000	75,343	(28,657)
Earnings on Investments	79,546	80,000	26,049	(53,951)
Classroom Materials and Fees	44,745	45,000	24,014	(20,986)
Rent	994	1,000	340	(660)
Other Local Revenues	19,887	20,000	34,540	14,540
Intergovernmental - Intermediate	2,088	2,100	2,100	
Intergovernmental - State	4,442,369	4,467,719	4,504,000	36,281
Total Receipts	<u>6,265,354</u>	<u>6,301,106</u>	<u>6,308,547</u>	<u>7,441</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,964,630	3,019,819	2,914,934	104,885
Special	696,440	709,405	582,602	126,803
Vocational			2,110	(2,110)
Support Services:				
Pupil	107,247	109,243	96,677	12,566
Instructional Staff	140,556	143,173	121,108	22,065
Board of Education	44,270	45,094	61,075	(15,981)
Administration	633,331	645,121	621,773	23,348
Fiscal	268,818	273,822	269,021	4,801
Operation and Maintenance of Plant	546,460	556,633	628,408	(71,775)
Pupil Transportation	356,128	362,758	387,872	(25,114)
Central	174,865	178,120	259,292	(81,172)
Operation of Non-Instructional Services:				
Other Non-Instructional Services	509	518	147	371
Extracurricular Activities	102,934	104,850	112,133	(7,283)
Facility Acquisition and Construction	27,488	28,000	113,565	(85,565)
Total Disbursements	<u>6,063,676</u>	<u>6,176,556</u>	<u>6,170,717</u>	<u>5,839</u>
Receipts Over Disbursements	201,678	124,550	137,830	13,280
Other Financing Sources (Uses):				
Transfers Out	(15,339)	(15,625)		15,625
Refund of Prior Year Receipts	(1,227)	(1,250)		1,250
Sale of Assets	149	150	395	245
Total Other Financing Sources (Uses)	<u>(16,417)</u>	<u>(16,725)</u>	<u>395</u>	<u>17,120</u>
Net Change in Fund Balance	185,261	107,825	138,225	30,400
Fund Balance at Beginning of Year	2,359,273	2,359,273	2,359,273	
Prior Year Encumbrances Appropriated	105,396	105,396	105,396	
Fund Balance at End of Year	<u>\$2,649,930</u>	<u>\$2,572,494</u>	<u>\$2,602,894</u>	<u>\$30,400</u>

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$8,612</u>	<u>\$8,202</u>
Liabilities:		
Due to Others		<u><u>\$8,202</u></u>
Net Assets:		
Held in Trust for Scholarships	<u><u>\$8,612</u></u>	

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Contributions	\$100
Deductions:	
Scholarships Awarded	<u>250</u>
Change in Net Assets	(150)
Net Cash Assets at Beginning of Year	<u>8,762</u>
Net Cash Assets at End of Year	<u><u>\$8,612</u></u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District was established in 1929 through the consolidation of existing land areas and school districts. The School District serves an area of approximately ninety-five square miles. It is located in Auglaize, Hardin, and Logan Counties and includes all of the Villages of Alger and McGuffey, all of Marion and Roundhead Townships, and portions of Cessna, Lynn, and McDonald Townships in Hardin County. The School District is the 564th largest in the State of Ohio (among 922 school districts and community schools) in terms of enrollment. It is staffed by twenty-eight classified employees, fifty-two certified teaching personnel, and three administrative employees who provide services to six hundred ninety students and other community members. The School District currently operates one instructional building, one administration building and one garage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food services, 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 organizations' government 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; or (3) 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 (4) 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. Based upon the application of these criteria, the School District has no component units. The basic financial statements of the reporting entity include only those of the School District (the primary government).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Jointly Governed Organizations

Ohio Hi-Point Joint Vocational School

The Ohio Hi-Point Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The degree of control exercised by 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.

Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2009, the School District paid \$55,647 to WOCO for various services. Financial information can be obtained from WOCO, 129 East Court Street, Sidney, Ohio 45365.

Hardin County Schools Consortium Local Professional Development Committee

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

2. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3. Related Organization

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

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Fund Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

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

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

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

Other governmental funds of the School District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for grants and other resources whose use is restricted to a particular purpose; (c) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; and (d) food service operations.

2. Fiduciary Funds

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

D. Basis of Presentation

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the School District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

E. Budgets

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

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

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

F. 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 the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

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

During fiscal year 2009, investments were limited to the State Treasurer Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$26,049, which includes \$9,469 assigned from other funds.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

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

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

J. Fund Cash Balance Reserves

The School District reserves those portions of fund cash balance which are legally segregated for a specific future use. Unreserved fund cash balance indicates that portion of fund cash balance which is available for appropriation in future periods. Fund cash balance reserves have been established for encumbrances, debt service and monies restricted for school bus purchases.

K. Net Cash Assets

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net cash assets restricted for other purposes include resources restricted for food service operations, uniform school supplies, Rockwell Trust fund receipts and Little River Preschool operations.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The School District did not have any net assets restricted by enabling legislation at year-end. The School District had \$13,431 of restricted cash at June 30, 2009 that is restricted by the State statute for school bus purchases.

M. Interfund Activity

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

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

3. ACCOUNTABILITY AND COMPLIANCE

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

4. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District may be deposited or invested in the following securities:

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

Protection of 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

A. Cash and Cash Equivalents with Fiscal Agent

At year end, the School District had \$397 held by the Hardin County Educational Service Center (the "ESC") as fiscal agent for grants spent on-behalf of the School District. These funds are maintained by the ESC and are included on the financial statements of the School District as "Cash and Cash Equivalents with Fiscal Agent". These funds are not included in "Deposits with Financial Institutions" below.

B. Deposits with Financial Institutions

At June 30, 2009 the carrying amount of all School District deposits was \$2,064,144. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$1,821,386 of the School District's bank balance of \$2,074,856 was exposed to custodial risk as discussed below, while \$253,470 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

C. Investments

As of June 30, 2009, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities</u>	
	<u>Cost</u>	<u>6 Months or Less</u>
STAR Ohio	\$2,837,461	\$2,837,461

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The School District's investment in STAR Ohio were rated AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2009:

Investment Type	Fair Value	% of Total
STAR Ohio	\$2,837,461	100.00

D. Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2009:

Cash and investments per footnote:	
Carrying amount of deposits	\$2,064,144
Investments	2,837,461
With Fiscal Agent	397
Total	\$4,902,002
 Cash and investments per Statement of Net Assets:	
Governmental Activities	\$4,885,188
Private – Purpose Trust Funds	8,612
Agency Fund	8,202
Total	\$4,902,002

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget and Actual (Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

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

Net Change in Fund Cash Balance	
	General Fund
Cash Basis	\$388,077
Adjustment for Encumbrances	(249,852)
Budget Basis	\$138,225

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2008, were levied after April 1, 2008 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2009 (other than public utility property) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2009, on the value as of December 31, 2008. For 2008, tangible personal property is assessed at 6.25% for property including inventory. This percentage was reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2009-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Auglaize, Hardin, and Logan Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date tax bills are sent. The assessed values upon which the fiscal year 2009 taxes were collected are:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

6. PROPERTY TAXES (Continued)

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$49,980,840	88.43	\$49,980,840	88.32
Industrial/Commercial	2,446,130	4.33	2,446,130	4.32
Public Utility Personal	3,481,630	6.16	3,572,421	6.31
Tangible Personal Property	612,005	1.08	589,046	1.04
Total	<u>\$56,520,605</u>	<u>100.00</u>	<u>\$56,588,437</u>	<u>100.00</u>
 Tax Rate Per \$1,000 of Assessed Valuation	 \$34.80		 \$34.80	

7. INCOME TAX

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

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 758,835			\$ 758,835
Depreciable Capital Assets				
Land Improvements	1,426,790			1,426,790
Buildings and Building Improvements	16,811,800	\$82,886		16,894,686
Furniture, Fixtures, and Equipment	1,257,553	190,942		1,448,495
Vehicles	568,687	8,000		576,687
Total Depreciable Capital Assets	<u>20,064,830</u>	<u>281,828</u>		<u>20,346,658</u>
Total Capital Assets	<u>\$20,823,665</u>	<u>\$281,828</u>		<u>\$21,105,493</u>

9. CAPITAL LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the School District has entered into capitalized leases for facilities and equipment. This lease agreement meets the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Debt service payments are reported as function disbursements in the cash basis financial statements for the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2009.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

9. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 10,494	\$ 23,506	\$ 34,000
2011	10,896	23,104	34,000
2012	11,314	22,686	34,000
2013	11,747	22,253	34,000
2014	12,198	21,802	34,000
2015-2019	68,371	101,630	170,001
2020-2024	82,521	87,479	170,000
2025-2029	99,599	70,401	170,000
2030-2034	120,214	49,787	170,001
2035-2039	145,092	24,908	170,000
2040-2041	49,123	1,877	51,000
	<u>\$621,569</u>	<u>\$449,433</u>	<u>\$1,071,002</u>

10. LEASE-PURCHASE AGREEMENT

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

The Lease term commenced June 11, 2009 and renews annually through December 1, 2023. The Lease requires the School District to make payments of principal each December 1 beginning December 1, 2009 and ending December 1, 2023. Interest payments are due June 1 and December 1 of each year during the Lease term. The Ground Lease is for a term beginning on June 11, 2009 and ending on December 1, 2028; provided, however, in the event that the Lease is terminated by the prepayment of required principal and interest payments, then the term of the Ground Lease shall terminate simultaneously with the termination of the Lease.

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$4,000	\$14,391	\$18,391
2011	15,000	14,306	29,306
2012	15,000	13,519	28,519
2013	15,000	12,731	27,731
2014	15,000	11,944	26,944
2015-2019	100,000	44,625	144,625
2020-2024	120,000	16,275	136,275
	<u>\$284,000</u>	<u>\$127,791</u>	<u>\$411,791</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS

A. The June 30, 2008 balance in the schedule below has been restated to reflect accreted interest on the capital appreciation bonds. During the fiscal year 2009, the following activity occurred in governmental activities long-term obligations:

	Interest Rate	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09	Due Within One Year
Governmental Activities:						
General Obligation Bonds:						
School Improvement Bonds	2.10-5.25%	\$1,835,000		(\$85,000)	\$1,750,000	\$90,000
Capital Appreciation Bonds	16.78%	39,999			39,999	
Accretion on Capital Appreciation Bonds	16.78	126,747	\$ 7,246		133,993	
Total General Obligation Bonds Payable		<u>2,001,746</u>	<u>7,246</u>	<u>(85,000)</u>	<u>1,923,992</u>	<u>90,000</u>
Other Long-Term Obligations:						
Capital Lease Obligation		631,675		(10,106)	621,569	10,494
Energy Conservation Note	5.125%		576,000		576,000	11,000
Lease-Purchase Obligation			284,000		284,000	4,000
Total Other Long-Term Obligations		<u>631,675</u>	<u>860,000</u>	<u>(10,106)</u>	<u>1,481,569</u>	<u>25,494</u>
Total Governmental Activities		<u>\$2,633,421</u>	<u>\$867,246</u>	<u>(\$95,106)</u>	<u>\$3,405,561</u>	<u>\$115,494</u>

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

B. 2002 School Improvement General Obligation Bonds

On May 1, 2002, the School District issued \$2,249,999 in voted general obligation bonds for improvements to buildings and structures. These bonds are general obligations of the School District for which the full faith and credit of the School District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as disbursements in the Bond Retirement debt service fund (a non-major governmental fund).

The issue is comprised of serial bonds, par value \$1,050,000, term bonds, par value \$1,160,000 and capital appreciation bonds, par value \$39,999. The capital appreciation bonds were issued at a premium of \$85,669. The interest rates on the serial and term interest bonds range from 2.10% to 5.25%. The capital appreciation bonds mature on December 1, 2011 and December 1, 2012 (effective interest rate of 16.78%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The capital appreciation bonds are not subject to redemption prior to maturity. The accreted value at maturity for the capital appreciation bonds is \$200,000. Total accreted interest on the capital appreciation bonds at June 30, 2009 was \$133,993.

Interest payments on the current interest bonds are due on December 1 and June 1 of each year. The final maturity stated in the issue is December 31, 2025.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
June 1, 2012 and thereafter	100%

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

<u>Year Ended</u>	<u>Current Interest Term and Serial Bonds</u>		<u>Capital Appreciation Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 90,000	\$ 85,257			\$ 90,000	\$ 85,257
2011	95,000	81,508			95,000	81,508
2012		79,538	\$21,608	\$ 78,392	21,608	157,930
2013		79,538	18,391	81,609	18,391	161,147
2014	100,000	77,312			100,000	77,312
2015-2019	530,000	314,538			530,000	314,538
2020-2024	665,000	161,043			665,000	161,043
2025-2026	270,000	13,125			270,000	13,125
Total	<u>\$1,750,000</u>	<u>\$891,859</u>	<u>\$39,999</u>	<u>\$160,001</u>	<u>\$1,789,999</u>	<u>\$1,051,860</u>

C. Energy Conservation Notes

On June 11, 2009, the School District issued \$576,000 in Energy Conservation Notes to finance electrical infrastructure upgrades. The notes bear an interest rate of 5.125% and mature December 1, 2023. The Energy Conservation Notes are general obligations of the School District for which the full faith and credit of the School District is pledged for repayment. Payments of principal and interest on these notes will be made from the Bond Retirement Debt Service Fund (a non-major governmental fund).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the future debt requirements to maturity for the Energy Conservation Notes:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 11,000	\$ 28,418	\$ 39,418
2011	30,000	28,188	58,188
2012	30,000	26,650	56,650
2013	30,000	25,112	55,112
2014	35,000	23,447	58,447
2015-2019	195,000	89,046	284,046
2020-2024	245,000	32,672	277,672
Total	<u>\$576,000</u>	<u>\$253,533</u>	<u>\$829,533</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School Districts shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assess valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009 are a voted debt margin of \$3,554,715 (including available funds of \$298,195) and an unvoted debt margin of \$56,072.

12. RISK MANAGEMENT

A. Comprehensive

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 2009, the School District contracted for the following insurance coverage:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

12. RISK MANAGEMENT (Continued)

B. Employee Medical, Dental, Vision and Life Insurance

The School District participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (Trust), a public entity shared risk pool consisting of six local school districts, the Hardin County Educational Service Center, and the Ada Public Library (See Note 2.A). Each participating member 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.

C. Workers' Compensation

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (See Note 2.A). 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.

13. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations, 9.16 percent was the portion for fiscal year 2008. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$63,097, \$58,829, and \$62,877 respectively; 49 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2008 and 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$297,033, \$264,280, and \$273,689 respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2008 were \$3,325 made by the School District and \$7,135 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2009, three members of the Board of Education have elected Social Security. The School District's liability is 6.2% of wages paid.

14. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h.

For fiscal year 2009, 4.16 percent of covered payroll was allocated to health care, 4.18 percent was allocated for fiscal year 2008. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

14. POST-EMPLOYMENT BENEFITS (Continued)

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$38,563, \$26,845, and \$20,875 respectively; 49 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$5,206, \$4,239, and \$4,276 respectively; 49 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$22,849, \$20,585, and \$21,067 respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

15. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

15. OTHER EMPLOYEE BENEFITS (Continued)

B. Employee Insurance Benefits

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

16. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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, 2009.

B. Litigation

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

17. STATUTORY RESERVES

The School District is required by State law to annually set aside certain General Fund cash receipt amounts, as defined by State statute, into a reserve for textbooks/instructional materials and an equal amount into a reserve for the acquisition and construction of capital improvements. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Balance June 30, 2008	\$ 9,508	
Current Year Set-Aside Requirement	107,947	\$107,947
Qualifying Disbursements	(267,278)	(158,972)
Total	(149,823)	(\$ 51,025)
Balance June 30, 2010	(\$149,823)	

The School District had qualifying disbursement during the year that reduced the set-aside amounts below zero for the textbook/instructional materials and capital acquisition reserves. These extra amounts may be used to reduce the set-aside requirement for future years for the textbook/instructional materials reserve. The negative amount is therefore presented as being carried forward to the next fiscal year. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

17. STATUTORY RESERVES (Continued)

The School District has also received monies that are restricted for school bus purchases. A schedule of the governmental fund restricted assets at June 30, 2009 follows:

Amount restricted for school bus purchase	<u>\$13,431</u>
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18. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor restricted endowments. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$8,612 and is included as held in trust for scholarships at June 30, 2009. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the monies should be used to provide a scholarship each year.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County (the School District), as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 22, 2010, wherein, we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-008.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated September 22, 2010.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management, Board of Education, and others within the School District. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

September 22, 2010

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

**SCHEDULE OF FINDINGS
JUNE 30, 2009**

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

FINDING NUMBER 2009-001

MATERIAL WEAKNESS / NONCOMPLIANCE CITATION

Ohio Rev. Code Section 3318.08 states, in part, prior to project commencement, school districts participating in the Classroom Facilities Assistance Program must enter into a written agreement (“Project Agreement”) with the Ohio School Facilities Commission. The Project Agreement is the contract between the School District and the Commission and requires all payments from Classroom Facilities Construction Fund 010 to evidence approval by both the School District and the Commission, as delegated to the construction manager. Payments from the Construction Fund are limited to: 1) professional design and administration services, 2) payments to contractors who have performed work, 3) purchases related to the Project, and 4) any transactions authorized necessary or appropriate for establishing and administering investment accounts. Occasionally, districts will receive approval from the Commission for reimbursement of items that should have been project costs. If this is the case, the School District should have an approval letter on file from the Commission that should be presented to the auditor to substantiate the expenditure.

As of July 1, 2008, the School District had a fund balance in the local share of the Classroom Facilities Construction Fund 010 of \$280,474 and a balance of \$100,952 in the State share. These funds remained in the fund due to unresolved issues from the building project, which included problems with a roof and a security system. In the period January 28, 2009 through June 30, 2009, the School District expended \$79,566 from the Classroom Facilities Construction Fund 010, which included \$23,100 from the State’s share of the project costs and \$56,466 from the local share. In accordance with the Project Agreement, all expenditures for the co-funded project (both State and Local shares) must be approved by the Ohio School Facilities Commission, or its designee, and the School District Treasurer.

The School District’s Treasurer, Superintendent and Board of Education approved the expenditures in the amount of \$79,566; however, none of the expenditures were approved by the Ohio School Facilities Commission. The unauthorized expenditures made from Classroom Facilities Construction Fund 010 were for wind turbines and a green energy laboratory, neither of which were a part of the School District’s Classroom Facilities Assistance Program Project.

The accompanying financial statements and the accounting records have been adjusted to reflect these disbursements in the correct funds. These adjustments had the following effect upon the respective fund balances:

	<u>General Fund</u>	<u>Classroom Facilities Construction – Local Share</u>	<u>Classroom Facilities Construction – State Share</u>
2009	(\$79,566)	\$56,466	\$23,100

**FINDING NUMBER 2009-001
(Continued)**

In addition, during the period July 1, 2009 through March 31, 2010, which is during the School District's fiscal year 2010, the same School District officials authorized expenditures totaling \$275,404 from the Classroom Facilities Construction Fund 010. The fiscal year 2010 expenditures included \$51,784 from the State's share of the project costs and \$223,620 from the local share. The Ohio School Facilities Commission did not approve \$30,450 of the amount expended from the State share and did not approve \$220,353 expended from the local share. The unauthorized expenditures made from Classroom Facilities Construction Fund 010 during fiscal year 2010, totaling \$250,803, included disbursements for the green energy laboratory, renovations to the School District's Alger Building and renovations to the alumni field house, none of which are a part of the School District's Classroom Facilities Assistance Program Project. The Ohio School Facilities Commission provided written/emailed communication to the School District's Superintendent on January 22, 2009 indicating some items that were subsequently authorized by the Superintendent were not allowable per the Project Agreement. Despite this communication from the Ohio School Facilities Commission, the School District purchased these items during September and October 2009 from the Classroom Facilities Construction Fund 010.

To prevent additional unauthorized expenditures from Classroom Facilities Construction Fund 010, in accordance with the Project Agreement the School District should obtain evidence of approval from the Ohio School Facilities Commission prior to expending these funds. The School District should perform a detailed review of fiscal year 2010 expenditures from the Classroom Facilities Construction to determine if they were allowable. Unallowable disbursements should be reallocated to the appropriate funds prior to the fiscal year end. Failure to obtain the required approvals could result in misstatements of the financial statements in fiscal year 2010.

OFFICIALS' RESPONSE:

Unallowable expenditures in FY09 have been reallocated to the appropriate funds during FY10. Additional unallowable expenditures, when fully identified as part of the FY10 audit, will be reallocated to the appropriate funds during FY11.

FINDING NUMBER 2009-002

MATERIAL WEAKNESS / NONCOMPLIANCE CITATION

Ohio Rev. Code Section 3318.05(B) states, in part, school districts participating in the Classroom Facilities Assistance Program shall levy a tax at a rate of not less than one-half mill for each dollar of valuation to pay the cost of maintaining the Classroom Facilities acquired through the Classroom Facilities Assistance Program Project.

Ohio Rev. Code Section 3318.05(D) states, in part, that school districts are required to establish a separate fund to account for this maintenance funding and expenditures.

The School District established the required fund (034) to account for Maintenance Levy funding and expenditures for the Classroom Facilities Assistance Program. On January 28, 2009 the School District issued a payment in the amount of \$932 to pay for repairs to the furnace in the Alumni Field House; however, the Field House is not a facility acquired through the Classroom Facilities Assistance Program Project; therefore, this is not a permissible expenditure from this fund.

The accompanying financial statements and the accounting records have been adjusted to reflect this disbursement in the correct funds. This adjustment had the following effect upon the respective fund balances:

**FINDING NUMBER 2009-002
 (Continued)**

	<u>General Fund</u>	<u>Classroom Maintenance Fund</u>
2009	(\$932)	\$932

During the period July 1, 2009 through March 31, 2010, which is during the School District's fiscal year 2010, the School District expended a total of \$137,459 from Project Maintenance Fund 034 for improvements to the Alumni Field House and the Alger Facility, neither of which were acquired through the Classroom Facilities Assistance Program Project. These also are unallowable uses of Project Maintenance Fund 034 funding.

To prevent additional unauthorized expenditures from Classroom Maintenance Fund 034, the School District should implement monitoring procedures to help assure expenditures from the Classroom Maintenance Fund 034 are limited to improvements to facilities which were acquired through the Classroom Facilities Assistance Program Project. The School District should perform a detailed review of fiscal year 2010 Classroom Maintenance Fund 034 disbursements to determine if they were allowable for this fund. Unallowable expenditures should be reallocated to the appropriate fund or funds prior to the fiscal year end. Failure to comply with this requirement could result in misstatements of the financial statements in fiscal year 2010.

OFFICIALS' RESPONSE:

Unallowable expenditures in FY09 have been reallocated to the appropriate funds during FY10. Additional unallowable expenditures, when fully identified as part of the FY10 audit, will be reallocated to the appropriate funds during FY11.

FINDING NUMBER 2009-003

FINDING FOR RECOVERY / REPAID UNDER AUDIT

Jim Bowser was employed by the Hardin County Educational Service Center for the time period of January 12, 2009 through June 30, 2009 as a Guidance Counselor assigned to Upper Scioto Valley Local School District at the request of the Upper Scioto Valley Local School District Superintendent Rick Rolston.

During this time period Mr. Bowser was reimbursed \$2,618 for mileage by the School District, primarily to travel from his home in Lancaster to the Upper Scioto Valley Local School District in McGuffey. The contract with the Hardin County Educational Service Center did not provide for this mileage reimbursement. In addition, the School District reimbursed Mr. Bowser for repairs to a laptop computer in the amount of \$123.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jim Bowser, in the amount of \$2,741 and in favor of the Upper Scioto Valley School District's General Fund.

On July 1, 2010, Jim Bowser repaid the School District \$2,618 in travel reimbursements for this Finding for Recovery. The repayment was recorded by School District in the General Fund with receipt number 992146. On July 16, 2010 the Board retroactively approved with Resolution 2010-170 the \$123 reimbursement for repairs to Mr. Bowser's laptop computer.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

FINDING NUMBER 2009-004

NONCOMPLIANCE CITATION

Ohio Rev. Code Section 3319.01 states, in part, that a board may establish vacation leave for its superintendent. Upon the superintendent's separation from employment a board that has such leave may provide compensation at the superintendent's current rate of pay for all lawfully accrued and unused vacation leave to the superintendent's credit at the time of separation, not to exceed the amount accrued within three years before the date of separation.

A board's contractual capacity, or power, is described in paragraph one of the syllabus of Schwing v. McClure (1929), 120 Ohio St. 335, 166 N.E. 230 as follows:

Members of a board of education of a school district are public officers, whose duties are prescribed by law. Their contractual powers are defined by the statutory limitations existing thereon, and they have no power except such as is expressly given, or such as is necessarily implied from the powers that are expressly given.

In addition, it has been recognized that " * * * '(i)n democratic political systems dealings between public employers and public employee organizations-whether they are called negotiations or discussions-must necessarily be limited by legislatively determined policies and goals." Dayton Classroom Teachers Ass'n v. Dayton Board of Education, 41 Ohio St. 2d 127, 131-32, 323 N.E.2d 714 (1975).

Accordingly, insofar as the General Assembly has prescribed in R. C. 3319.01 the manner and time in which a school district superintendent may cash in his unused vacation time, it must be done as described in R. C. 3319.01. See *generally* 1984 Op. Att'y Gen. No. 84-050 at 2-168 ("[i]t is one of the well recognized canons of statutory construction that when a statute directs a thing may be done by a specified means or in a particular manner it may not be done by other means or in a different manner." Akron Transportation Co. v. Glander, 155 Ohio St. 471, 480, 99 N.E.2d 493, 497 (1951), citing Utah Rapid Transit Co. v. Ogden City, 89 Utah 546, 58 P.2d 1 (1936).

Superintendent Rick Rolston's contract Addendum signed on March 1, 2010 and retroactively effective August 1, 2009, states that "[a]ll or part of the vacation leave accrued but unused at the end of any calendar year may be exchanged for cash, at the option of the Superintendent, at his current per diem pay rate."

The Board of Education should amend the Superintendent's contract to comply with R. C. 3319.01.

In addition, the Superintendent's original contract stated that, "[u]pon separation from employment in the District, Superintendent shall be entitled to full pay at his current per diem rate for 25% of his accumulated and unused sick leave in the District upon retirement, up to a maximum of 60 days." However, the Addendum states that the "Superintendent shall accrue sick leave at the rate of 1.25 days per month under contract in accordance with state law. At the option of the Superintendent, all or part of the sick leave accrued but unused at the end of any calendar year, up to a maximum of 260 days, may be exchanged for cash at the Superintendent's current per diem pay rate."

The Auditor of State obtained the Superintendent's medical Explanation of Benefits that document between December, 2008 and December 2009, the Superintendent attended doctor's appointments in Athens, New Albany, Gallipolis, Lima and Columbus on 33 occasions; was in-patient hospitalized for 15 days; and received skilled home nursing care for 28 days during weekdays and in-session school days but did not take any leave time.

**FINDING NUMBER 2009-004
(Continued)**

Ohio Attorney General Opinion 10-020 states that the duties of a superintendent are generally performed during the normal school hours, which typically are 7:00 AM to 4:00 PM Monday through Friday. 2010 Op. Att'y Gen. No. 10-020.

Pursuant to the Addendum to his contract, the School District is liable for the payout of school funds to the Superintendent for accrued and unused leave accrual at the end of the calendar year at his current per diem pay rate of \$510.00 per day, which may potentially cost the District tens of thousands of dollars each year.

The School District's Board should adopt an applicable definition of "work day" and policy to address the Administration, Superintendent and Treasurer's required leave usage.

OFFICIALS' RESPONSE: The Auditor is incorrect in the assumption that the District is prohibited by law from paying the Superintendent for accrued but unused vacation leave and mistakenly confuses a limitation on payment for such leave upon *separation* from employment, which is limited by statute, with payment for unused leave *during* employment, which is not limited by statute. In fact, Ohio law recognizes that boards of education have broad authority to determine and pay compensation for administrative employees and the current compensation provisions for Superintendent Rolston are lawfully included in his employment contract. No amendment is required. See, 1981 Ohio Op. Atty Gen. No. 52; *Cataland v. Cahill*, 13 Ohio App. 3d 113.

AUDITOR OF STATE'S CONCLUSION: The Finding does not state that the District is prohibited by law from paying the Superintendent for accrued but unused vacation leave. The Auditor of State's conclusion is consistent with the Ohio Attorney General's Opinions and relevant case law insofar as the General Assembly has prescribed in R. C. 3319.01 the manner and time in which a school district superintendent may cash in his unused vacation time, which is at the time of separation.

FINDING NUMBER 2009-005

FINDING FOR RECOVERY / REPAID UNDER AUDIT

Upper Scioto Valley Local School District Board of Education Resolution 2009-091 authorized the hiring of Martin Riggs as a long-term substitute for the 2009-2010 school year at \$100 per day for 160 days.

During the period July 1, 2009 through December 31, 2009, Mr. Riggs received net pay from the School District in the amount of \$6,616 (92 days * \$71.92 per day) related to the long-term substitute position. However, teacher attendance and substitute teacher records maintained by the School District indicate Mr. Riggs did not perform the duties of a substitute teacher during the aforementioned period of time.

During the period July 1, 2009 through December 31, 2009 Mr. Riggs also received mileage reimbursements in the amount of \$2,654 (6,635 * .40 per mile) for commuting to the School District from his residence each day. Neither Mr. Riggs' contract nor the School District's travel policy authorize mileage reimbursements for commuting to and from work.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery of public monies illegally expended is hereby issued against Martin Riggs in the total amount of \$9,270 and in favor of the Upper Scioto Valley Local School District School District's Fiscal Stabilization Fund (\$5,899), Athletic Fund (\$2,654) and General Fund (\$717).

On July 22, 2010 Martin Riggs repaid the School District \$2,654 in travel reimbursements for this Finding for Recovery. The repayment was recorded by the School District in the General Fund with receipt number 992156.

**FINDING NUMBER 2009-005
(Continued)**

On July 16, 2010, the Board retroactively amended Resolution 2009-019 with Resolution 2010-165 to correct the employment purpose for Martin Riggs. The amended employment purpose is In-School Suspension Supervisor.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

FINDING NUMBER 2009-006

NONCOMPLIANCE CITATION

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

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

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

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

FINDING NUMBER 2009-007

NONCOMPLIANCE CITATION

Ohio Rev. Code Section 121.22(C) of Ohio's Open Meetings Act states that all meetings of any Public body are declared to be public meetings open to the public at all times.

Ohio Rev. Code Section 121.22(A) states that the Act is to be liberally construed to require public officials subject to the Act to take official action and to conduct all deliberations upon official business only in open meetings until the subject matter is specifically excepted by law.

The Open Meetings Act strictly limits the use of executive sessions because they do not take place in public. Executive sessions may be held for only a few specific purposes and no vote or other decision on the matter(s) discussed may take place during the executive session.

Ohio Rev. Code Section 121.22(G)(1) states the motion and vote to hold executive session shall state which one or more of the approved purposes listed are the purposes for which the executive session is being held. If the purpose of the executive session is to discuss one of the matters included in the personnel exception, the motion must specify which one of those specific matters will be discussed.

**FINDING NUMBER 2009-007
(Continued)**

In the time period from July 1, 2008 through June 30, 2009, the School District's Board of Education entered into executive session fourteen times for the purpose of "consideration of appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee or official". In all of these instances, the School District's Board of Education failed to specify which one or more these approved purposes the executive session was being held for.

Further, when the Board returned to open session, they failed to vote on any action to be taken on matters discussed in executive session or came out of executive session and immediately adjourned the meeting.

The School District's Board of Education should review the Ohio Sunshine Laws, Ohio Open Meetings Act and **Ohio Rev. Code Section 121.22** to determine the required procedures to follow when utilizing executive sessions. These resources are available at www.auditor.state.oh.us. The improper use of executive session privileges could result in an injunction being issued, in which case the Board of Education could be required to correct its actions, and be responsible for paying various court costs, fines, and attorney fees.

OFFICIALS' RESPONSE: The Board of Education endeavors to fully comply with Ohio's Open Meeting Act. The use of executive sessions will be limited and will expressly state the purpose for which the session is being called. Further, following each executive session, the Board will indicate whether any action is to be taken.

FINDING NUMBER 2009-008

NONCOMPLIANCE CITATION / OHIO ETHICS COMMISSION REFERRAL

Ohio Rev. Code Section 2921.42(A) states that no public official knowingly do any of the following:

- (1) Authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest; and
- (4) Have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

The Hardin County Educational Service Center entered into a Purchased Service Contract with the Board of Education of the Upper Scioto Valley Local Schools to employ Dr. James Bowser as Guidance Counselor for the period of January 12, 2009 through June 30, 2009 to be assigned to the Upper Scioto Valley Schools, per the request of Rick Rolston, Superintendent of Upper Scioto Valley Schools. In consideration of and for such services, Upper Scioto Valley Local Schools agreed to pay the Hardin County Educational Service Center a fee of \$26,680 (an amount specified by Mr. Rolston), which was deducted from the State Foundation funds of Upper Scioto Valley Local Schools and forwarded to the Hardin County Educational Service Center by the Ohio Department of Education.

Subsequently the Upper Scioto Valley Local Schools Board of Education minutes, dated March 23, 2009, resolution 2009-060, approved the hiring of Dr. Jim Bowser in the administrative position of Guidance/Director of Special Projects for the period of August 1, 2009 through July 31, 2012.

**FINDING NUMBER 2009-008
(Continued)**

Guidance/Director of Special Projects, Dr. Jim Bowser, signed a "Memorandum of Understanding between Basic Dominance and Upper Scioto Valley Local School District" on April 2, 2009. Dr. Jim Bowser is the owner of Basic Dominance and signed the "Memorandum of Understanding" as: Dr. Jim Bowser dba Basic Dominance and also as Guidance/Director of Special Projects for the Upper Scioto Valley School District. The School District's letterhead used to prepare the "Memorandum of Understanding" identified Dr. Jim Bowser as the Guidance/Director of Special Projects.

The Memorandum of Understanding, in the amount of \$10,000 was for the period of June 1, 2009 through July 31, 2009 and was for the following interim consulting services:

- 1) Coordinate the Start-Up phase of the Upper Scioto Valley Wind/Energy Academy.
- 2) Coordinate Site Management for Peterman Architects Projects with USV.
- 3) Coordinate the Installation Phase of Wind Turbines on the USV McGuffey School Property.
- 4) Coordinate Site Management of the Initial Construction Phase of the "Green Building".
- 5) Other Mutually Agreed Upon Items with USV Administration.

The School District issued check No. 53488 made payable to Jim Bowser, individually, on June 5, 2009, prior to the completion of the contracted consulting services pursuant to the Memorandum of Understanding. There was no evidence that the Board approved this Memorandum of Understanding.

On July 16, 2010, the Board retroactively approved the Memorandum of Understanding with Resolution 2010-168.

This matter will be referred to the Ohio Ethics Commission.

OFFICIALS' RESPONSE: Dr. Bowser's efforts enabled the District to construct both a wind turbine and a new "green" classroom facility that has placed the District's educational programs on the cutting edge of modern technology and which realize ongoing energy cost savings for the District. His services were first engaged by the District through his assignment from the Hardin County Educational Service Center, then by the District as an independent contractor and later as a District administrator. He was never in a position to exercise any improper influence over any employment decisions nor did he ever attempt to exercise the influence of public office to secure benefit for himself. The Auditor's referral to the Ethics Commission is unwarranted and unfairly places Dr. Bowser in the position of having to defend conduct that he should not be called upon to defend.

AUDITOR OF STATE'S CONCLUSION: The Auditor of State's office consulted with the Ohio Ethics Commission in this matter and the Commission recommended the Auditor's office refer the matter to their agency.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2008-001	ORC Sec. 117.38 & OAC Sec. 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as Finding 2009-006

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy on December 17, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

September 22, 2010



Mary Taylor, CPA
Auditor of State

UPPER SCIOTO VALLEY LSD

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
NOVEMBER 4, 2010**