



OHIO AUDITOR OF STATE  
**KEITH FABER**





**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
HARDIN COUNTY  
JUNE 30, 2022**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Audit of the Financial Statements***

#### ***Opinions***

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, Ohio (the District), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, as of June 30, 2022, and the respective changes in cash-basis financial position thereof and the budgetary comparisons for the General and the Elementary and Secondary School Emergency Relief funds for the fiscal year then ended in accordance with the cash-basis of accounting described in Note 2.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter - Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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***Emphasis of Matter***

As discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the District. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Supplementary Information***

Our audit was conducted to opine on the financial statements as a whole that collectively comprise the District's basic financial statements.

The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied to the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2023 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 10, 2023

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2022

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | \$ 10,841,111                      |
| Total Assets                               | \$10,841,111                       |
| <br><b>Net Position</b>                    |                                    |
| Restricted for:                            |                                    |
| Classroom facilities maintenance           | 238,906                            |
| Debt Service                               | 490,404                            |
| State funded programs                      | 98,403                             |
| Federally funded programs                  | 5,418                              |
| Food service operations                    | 221,825                            |
| Student activities                         | 70,899                             |
| Other Purposes                             | 29,874                             |
| Unrestricted                               | 9,685,382                          |
| Total Net Position                         | \$ 10,841,111                      |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

|  | <u>Cash<br/>Disbursements</u> | <u>Program Cash Receipts</u>                             |   | <u>Net Receipts<br/>(Disbursements) and<br/>Changes in Net Position</u> |
|--|-------------------------------|--|---|---|
|  |                               | <u>Charges<br/>for Services,<br/>Sales, and Interest</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                                      |
| <b>Governmental Activities</b>           |                               |  |   |   |
| Current:                                 |                               |  |   |   |
| Instruction:                             |                               |  |   |   |
| Regular                                  | \$ 2,724,096                  | \$ 33,194  | \$ 338,428  | \$ (2,352,474)  |
| Special                                  | 1,017,985                     | 59,898   | 368,522   | (589,565)   |
| Support Services:                        |                               |  |   |   |
| Pupil                                    | 507,404                       | -  | 210,451   | (296,953)   |
| Instructional Staff                      | 263,537                       | -  | 146,392   | (117,145)   |
| Board of Education                       | 17,523                        | -  | -   | (17,523)  |
| Administration                           | 515,823                       | -  | 17,412  | (498,411)   |
| Fiscal                                   | 293,436                       | -  | -   | (293,436)   |
| Business                                 | 7,425                         | -  | -   | (7,425)   |
| Operation and Maintenance of Plant       | 1,069,907                     | 75   | 279,764   | (790,068)   |
| Pupil Transportation                     | 412,474                       | 25,760   | 35,137  | (351,577)   |
| Central                                  | 38,144                        | -  | 5,400   | (32,744)  |
| Operation of Non-Instructional Services: |                               |  |   |   |
| Food Service Operation                   | 315,460                       | 44,140   | 392,131   | 120,811   |
| Other non-instructional services         | 655                           | 516  | -   | (139)   |
| Extracurricular Activities               | 306,735                       | 91,543   | 21,615  | (193,577)   |
| Facilities acquisition and construction  | 1,375,777                     | -  | 1,204,732   | (171,045)   |
| Debt Service:                            |                               |  |   |   |
| Principal Retirement                     | 180,000                       | -  | -   | (180,000)   |
| Interest and Fiscal Charges              | 21,757                        | -  | -   | (21,757)  |
| <b>Total governmental activities</b>     | <u>9,068,138</u>              | <u>255,126</u>   | <u>3,019,984</u>                                  | <u>(5,793,028)</u>  |

**General Receipts:**

|  |                      |
|--|----------------------|
| Property Taxes Levied for:                                     |                      |
| General Purposes   | 2,466,252            |
| Debt Service   | 195,907              |
| Classroom facilities maintenance                               | 32,451               |
| Income Taxes Levied for:                                       |                      |
| General purposes   | 468,708              |
| Grants and Entitlements not Restricted<br>to Specific Programs | 3,558,511            |
| Investment earnings  | 176,612              |
| Miscellaneous  | 46,719               |
| <b>Total general receipts</b>                                  | <u>6,945,160</u>     |
| Change in Net Position   | 1,152,132            |
| <b>Net position at beginning of year</b>                       | <u>9,688,979</u>     |
| <b>Net position at end of year</b>                             | <u>\$ 10,841,111</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, 2022

|  | General             | Elementary and<br>Secondary School<br>Emergency Relief | Permanent<br>Improvement | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--|--------------------------|-----------------------------------|--------------------------------|
| <b>Assets</b>                              |                     |  |                          |                                   |                                |
| Equity in Pooled Cash and Cash Equivalents | \$ 8,365,058        | \$ (1,566)   | \$ 1,324,811             | \$ 1,152,808                      | \$ 10,841,111                  |
| Total assets                               | <u>\$ 8,365,058</u> | <u>\$ (1,566)</u>                                      | <u>\$ 1,324,811</u>      | <u>\$ 1,152,808</u>               | <u>\$ 10,841,111</u>           |
| <b>Fund Balances:</b>                      |                     |  |                          |                                   |                                |
| Restricted:                                |                     |  |                          |                                   |                                |
| Debt Service                               | -                   | -  | -                        | 490,404                           | 490,404                        |
| Classroom facilities maintenance           | -                   | -  | -                        | 238,906                           | 238,906                        |
| Food service operations                    | -                   | -  | -                        | 221,825                           | 221,825                        |
| State funded programs                      | -                   | -  | -                        | 98,403                            | 98,403                         |
| Federally funded programs                  | -                   | -  | -                        | 5,418                             | 5,418                          |
| Extracurricular activities                 | -                   | -  | -                        | 70,899                            | 70,899                         |
| Scholarships                               | -                   | -  | -                        | 17,451                            | 17,451                         |
| Other purposes                             | -                   | -  | -                        | 12,423                            | 12,423                         |
| Committed to:                              |                     |  |                          |                                   |                                |
| Capital improvements                       | -                   | -  | 1,219,927                | -                                 | 1,219,927                      |
| Termination benefits                       | 328,814             | -  | -                        | -                                 | 328,814                        |
| Assigned to:                               |                     |  |                          |                                   |                                |
| Capital improvements                       | -                   | -  | 104,884                  | -                                 | 104,884                        |
| Student and staff support                  | 25,349              | -  | -                        | -                                 | 25,349                         |
| Facilities acquisition and construction    | 58,737              | -  | -                        | -                                 | 58,737                         |
| Subsequent year's appropriations           | 837,500             | -  | -                        | -                                 | 837,500                        |
| Unassigned                                 | 7,114,658           | (1,566)  | -                        | (2,921)                           | 7,110,171                      |
| Total fund balances                        | <u>\$ 8,365,058</u> | <u>\$ (1,566)</u>                                      | <u>\$ 1,324,811</u>      | <u>\$ 1,152,808</u>               | <u>\$ 10,841,111</u>           |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

|   | <u>General</u>      | <u>Elementary and<br/>Secondary School<br/>Emergency Relief</u> | <u>Permanent<br/>Improvement</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|---|----------------------------------|--|---|
| <b>Receipts</b>   |                     |   |                                  |  |   |
| Property taxes  | \$ 2,466,252        | -   | -                                | \$ 228,358                                 | \$ 2,694,610                            |
| Income taxes  | 468,708             | -   | -                                | -  | 468,708                                 |
| Intergovernmental   | 3,955,391           | 1,594,627   | -                                | 1,001,294                                  | 6,551,312                               |
| Investment earnings   | 25,302              | -   | 150,199                          | 1,150                                      | 176,651                                 |
| Tuition and Fees  | 118,852             | -   | -                                | -  | 118,852                                 |
| Extracurricular   | 8,324               | -   | -                                | 81,293                                     | 89,617                                  |
| Rental income   | 75                  | -   | -                                | -  | 75                                      |
| Charges for services  | -                   | -   | -                                | 43,131                                     | 43,131                                  |
| Contributions and donations                                   | 11,066              | -   | -                                | 27,144                                     | 38,210                                  |
| Miscellaneous   | 37,682              | -   | -                                | 1,422                                      | 39,104                                  |
| <b>Total Receipts</b>   | <u>7,091,652</u>    | <u>1,594,627</u>  | <u>150,199</u>                   | <u>1,383,792</u>                           | <u>10,220,270</u>                       |
| <b>Disbursements</b>  |                     |   |                                  |  |   |
| Current:  |                     |   |                                  |  |   |
| Instruction:  |                     |   |                                  |  |   |
| Regular   | 2,389,501           | 114,681   | -                                | 219,914                                    | 2,724,096                               |
| Special   | 908,570             | -   | -                                | 109,415                                    | 1,017,985                               |
| Support Services:   |                     |   |                                  |  |   |
| Pupil   | 264,855             | -   | -                                | 242,549                                    | 507,404                                 |
| Instructional staff   | 122,782             | -   | -                                | 140,755                                    | 263,537                                 |
| Board of education  | 17,523              | -   | -                                | -  | 17,523                                  |
| Administration  | 500,823             | -   | -                                | 15,000                                     | 515,823                                 |
| Fiscal  | 289,039             | -   | 935                              | 3,462                                      | 293,436                                 |
| Business  | 7,425               | -   | -                                | -  | 7,425                                   |
| Operation and maintenance                                     | 760,168             | 247,342   | 59,747                           | 2,650                                      | 1,069,907                               |
| Pupil transportation  | 380,691             | 28,255  | -                                | 3,528                                      | 412,474                                 |
| Central   | 32,744              | -   | -                                | 5,400                                      | 38,144                                  |
| Operation of non-instructional services:                      |                     |   |                                  |  |   |
| Food service operations                                       | -                   | -   | -                                | 315,460                                    | 315,460                                 |
| Other non-instructional services                              | 655                 | -   | -                                | -  | 655                                     |
| Extracurricular activities                                    | 213,093             | -   | -                                | 93,642                                     | 306,735                                 |
| Facilities acquisition and construction                       | 106,633             | 1,205,915   | 34,434                           | 28,795                                     | 1,375,777                               |
| Debt service:   |                     |   |                                  |  |   |
| Principal retirement  | -                   | -   | -                                | 180,000                                    | 180,000                                 |
| Interest and fiscal charges                                   | -                   | -   | -                                | 21,757                                     | 21,757                                  |
| <b>Total Disbursements</b>                                    | <u>5,994,502</u>    | <u>1,596,193</u>  | <u>95,116</u>                    | <u>1,382,327</u>                           | <u>9,068,138</u>                        |
| Excess (deficiency) of receipts<br>over (under) disbursements | <u>1,097,150</u>    | <u>(1,566)</u>  | <u>55,083</u>                    | <u>1,465</u>                               | <u>1,152,132</u>                        |
| <b>Other Financing Sources (Uses)</b>                         |                     |   |                                  |  |   |
| Transfers In  | -                   | -   | 200,000                          | -  | 200,000                                 |
| Transfers Out   | (200,000)           | -   | -                                | -  | (200,000)                               |
| <b>Total Other Financing Sources (Uses)</b>                   | <u>(200,000)</u>    | <u>0</u>  | <u>200,000</u>                   | <u>0</u>                                   | <u>0</u>                                |
| Net change in fund balances                                   | 897,150             | (1,566)   | 255,083                          | 1,465                                      | 1,152,132                               |
| <b>Fund balances at beginning of year</b>                     | 7,467,908           | -   | 1,069,728                        | 1,151,343                                  | 9,688,979                               |
| <b>Fund balances (deficit) at end of year</b>                 | <u>\$ 8,365,058</u> | <u>\$ (1,566)</u>   | <u>\$ 1,324,811</u>              | <u>\$ 1,152,808</u>                        | <u>\$ 10,841,111</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**UPPER SCIOTO VALLEY SCHOOL DISTRICT  
HARDIN COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

|   | <u>Budgeted Amounts</u> |                     |                     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|---------------------|---------------------|---|
|   | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>       |   |
| <b>Receipts</b>   |                         |                     |                     |   |
| Property taxes  | \$ 2,062,189            | \$ 2,354,546        | \$ 2,466,252        | \$ 111,706  |
| Income taxes  | 367,425                 | 406,109             | 468,708             | 62,599  |
| Intergovernmental   | 4,209,142               | 3,928,248           | 3,955,391           | 27,143  |
| Investment earnings   | 10,405                  | 11,500              | 25,200              | 13,700  |
| Tuition and fees  | 128,340                 | 141,852             | 118,852             | (23,000)  |
| Rental income   | 4,524                   | 5,000               | 75                  | (4,925)   |
| Contributions and donations                                   | 3,167                   | 3,500               | 10,550              | 7,050   |
| Miscellaneous   | 23,845                  | 26,355              | 20,105              | (6,250)   |
| <b>Total Receipts</b>   | <u>6,809,037</u>        | <u>6,877,110</u>    | <u>7,065,133</u>    | <u>188,023</u>  |
| <b>Disbursements</b>  |                         |                     |                     |   |
| Current:  |                         |                     |                     |   |
| Instruction:  |                         |                     |                     |   |
| Regular   | 3,175,056               | 2,389,050           | 2,415,417           | (26,367)  |
| Special   | 586,410                 | 1,006,424           | 908,570             | 97,854  |
| Vocational  | 476                     | 500                 |                     | 500   |
| Other   | 125,000                 |                     | 2,371               | (2,371)   |
| Support Services:   |                         |                     |                     |   |
| Pupil   | 345,198                 | 349,091             | 264,855             | 84,236  |
| Instructional staff   | 142,515                 | 147,469             | 122,607             | 24,862  |
| Board of education  | 17,521                  | 18,893              | 17,523              | 1,370   |
| Administration  | 441,326                 | 563,669             | 500,823             | 62,846  |
| Fiscal  | 288,913                 | 308,442             | 289,039             | 19,403  |
| Business  | 9,744                   | 11,420              | 7,425               | 3,995   |
| Operation and maintenance                                     | 694,473                 | 830,402             | 766,503             | 63,899  |
| Pupil transportation  | 374,502                 | 408,168             | 394,273             | 13,895  |
| Central   | 29,388                  | 34,313              | 32,744              | 1,569   |
| Extracurricular activities                                    | 158,957                 | 226,839             | 203,432             | 23,407  |
| Facilities acquisition and construction                       | 121,558                 | 163,435             | 165,370             | (1,935)   |
| <b>Total disbursements</b>                                    | <u>6,511,037</u>        | <u>6,458,115</u>    | <u>6,090,952</u>    | <u>367,163</u>  |
| Excess (deficiency) of receipts over<br>(under) disbursements | <u>298,000</u>          | <u>418,995</u>      | <u>974,181</u>      | <u>555,186</u>  |
| <b>Other financing sources (uses)</b>                         |                         |                     |                     |   |
| Refund of prior year disbursements                            | 2,000                   | 2,000               | 28,287              | 26,287  |
| Transfers Out   | (300,000)               | (300,000)           | (300,000)           | -   |
| Sale of capital assets  |                         |                     | 16,064              | 16,064  |
| <b>Total other financing sources (uses)</b>                   | <u>(298,000)</u>        | <u>(298,000)</u>    | <u>(255,649)</u>    | <u>42,351</u>   |
| <i>Net change in fund balance</i>                             | -                       | 120,995             | 718,532             | 597,537   |
| <b>Fund baalance at beginning of year</b>                     | 7,221,631               | 7,221,631           | 7,221,631           | -   |
| <b>Prior Year Encumbrances Appropriated</b>                   | 11,995                  | 11,995              | 11,995              | -   |
| <b>Fund balance at end of year</b>                            | <u>\$ 7,233,626</u>     | <u>\$ 7,354,621</u> | <u>\$ 7,952,158</u> | <u>\$ 597,537</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIED FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

|  | <u>Budgeted Amounts</u> |                    | <u>Actual</u>      | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|--------------------|--------------------|---|
|  | <u>Original</u>         | <u>Final</u>       |                    |   |
| <b>Receipts</b>                                      |                         |                    |                    |   |
| Intergovernmental                                    | \$ 1,786,511            | \$ 1,798,685       | \$1,594,627        | \$ (204,058)  |
| Total Receipts                                       | <u>\$1,786,511</u>      | <u>\$1,798,685</u> | <u>\$1,594,627</u> | <u>(\$204,058)</u>  |
| <b>Disbursements</b>                                 |                         |                    |                    |   |
| Current:   |                         |                    |                    |   |
| Instruction:   |                         |                    |                    |   |
| Regular  | 34,927                  | 28,692             | 20,692             | 8,000   |
| Other  | 218,587                 | 274,507            | 93,989             | 180,518   |
| Support Services:                                    |                         |                    |                    |   |
| Operation and maintenance                            | 348,858                 | 247,342            | 247,342            | -   |
| Pupil Transportation                                 | 33,627                  | 42,229             | 38,730             | 3,499   |
| Operation of non-instructional services:             |                         |                    |                    |   |
| Other non-instructional services                     | 31,747                  | -                  | -                  | -   |
| Facilities acquisition and construction              | 1,118,765               | 1,205,915          | 1,205,915          | -   |
| Total disbursements                                  | <u>1,786,511</u>        | <u>1,798,685</u>   | <u>1,606,668</u>   | <u>192,017</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>-</u>                | <u>-</u>           | <u>(12,041)</u>    | <u>(12,041)</u>   |
| <i>Fund balance (deficit) at beginning of year</i>   | (186,755)               | (186,755)          | (186,755)          | -   |
| Prior year encumbrances appropriated                 | 186,755                 | 186,755            | 186,755            | -   |
| <i>Fund balance (deficit) at end of year</i>         | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ (12,041)</u> | <u>\$ (12,041)</u>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1929 through the consolidation of existing land areas and school districts. The District serves an area of approximately ninety-five square miles. It is located in Auglaize, Hardin, and Logan Counties, and includes all of the Villages of Alger and McGuffey, all of Marion and Roundhead Townships, and portions of Cessna, Lynn and McDonald Townships in Hardin County. It is staffed by 27 classified employees, 39 certified teaching personnel, and 4 administrative employees. The average daily membership for fiscal year 2022 was 419 students. The District currently operates an instructional building, an administration building and a garage, all located on the main campus.

**A. Reporting Entity**

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Ohio Hi-Point Career Center

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT (Continued)**

Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2022, the District paid \$36,556 to WOCO for various services. Financial information can be obtained from WOCO, 129 East Court Street, Sidney, Ohio 45365.

Midwest Regional Educational Service Center Local Professional Development Committee

The Midwest Regional Educational Service Center 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 governed by an eight member Executive Board and one secretary. Financial information can be obtained from Keith Thomas, Midwest Regional Educational Service Center, 1973 State Route 47 W, Bellefontaine, Ohio 43311.

*INSURANCE PURCHASING POOLS*

Sheakley Worker's Compensation Group Rating Plan

The District participates in the Sheakley Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust") is a public entity shared risk pool consisting of seven school districts, 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 Council of Governments, Jefferson Health Plan, concerning aspects of the administration.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to the acceptance by the Administrative Committee and payment of monthly premiums. Financial information can be obtained from the Jefferson Health Plan. Contact Mark Schlagheck, Chief Fiscal Officer, 2023 Sunset Boulevard, Steubenville, OH 43952, or visit [thejeffersonhealthplan.org](http://thejeffersonhealthplan.org) or call (740) 381-8204.

*RELATED ORGANIZATION*

Alger Public Library

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

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

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

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. All funds of the District are reported as governmental funds.

*GOVERNMENTAL FUNDS*

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

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

Elementary and secondary school emergency relief fund - This fund accounts for federal grants provided under the American Rescue Plan Act which are used to provide emergency relief to school districts related to the COVID-19 pandemic.

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

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (b) financial resources that are restricted, committed or assigned to expenditures for principal and interest.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

**C. Basis of Presentation**

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

The statement of net position - cash basis presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities - cash basis compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

**D. Budgets**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

**E. Cash and Cash Equivalents**

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

The District invested in STAR Ohio in fiscal year 2022. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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 2022 amounted to \$25,302, which includes \$2,208 assigned from other funds.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. At June 30, 2022, the District held investments in U.S. government agency notes, U.S. Treasury notes, negotiable certificates of deposit, commercial paper, a U.S. government money market fund, and STAR Ohio.

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

**F. 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.

**G. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

**H. Long-Term Obligations**

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

**I. Leases**

The District is the lessee in equipment under a noncancelable lease. Lease payables are not reflected under the District's cash basis of accounting. Lease disbursements are recognized when they are paid.

**J. Fund Cash Balance**

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

The classifications are as follows:

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

**K. Net Cash Position**

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

**L. Interfund Activity**

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

**M. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2022.

**N. Pensions/Other Postemployment Benefits (OPEB)**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2022, the District has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Since the District does not prepare financial statements using generally accepted accounting principles, the implementation of GASB Statement No. 87 did not have an effect on the financial statements of the District. The notes to the basic financial statements include the disclosure requirements under the Statement.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the District.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the District.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the District.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the District.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the District.

**B. Compliance**

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its basic 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 basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Deficit Fund Balances**

Fund balances at June 30, 2022 included the following individual fund deficits:

| <u>Major fund</u>                                | <u>Deficit</u> |
|--|----------------|
| Elementary and Secondary School Emergency Relief | \$ 1,566       |
|  |                |
| <u>Nonmajor fund</u>                             |                |
| Title IV-A                                       | 2,921          |

The general fund is liable for any deficit in these funds and provides transfers when cash is required. The deficit fund balances resulted from the advance spending of approved grant monies.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
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 fair 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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OCPS), a collateral pool of eligible securities deposited with a qualified trustee and pledge to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

**A. Deposits with Financial Institutions**

At June 30, 2022, the carrying amount of all District deposits was \$189,108 and the bank balance of all District deposits was \$307,779. Of the bank balance, \$250,000 was covered by the FDIC and \$57,779 was covered by the OPCS.

**B. Investments**

As of June 30, 2022, the District had the following investments and maturities:

| Investment type                    | Carrying Value       | Investment Maturities |                     |                     |
|------------------------------------|----------------------|-----------------------|---------------------|---------------------|
|                                    |                      | Less than 1 year      | 1 to 2 years        | More than 2 years   |
| U.S. government agency notes       | \$ 765,000           | \$ -                  | \$ 100,000          | \$ 665,000          |
| U.S. Treasury notes                | 994,765              | 597,203               | 397,562             | -                   |
| Negotiable certificates of deposit | 1,242,570            | -                     | 746,253             | 496,317             |
| Commercial paper                   | 1,995,392            | 1,995,392             | -                   | -                   |
| U.S. Government money market fund  | 8,594                | 8,594                 | -                   | -                   |
| STAR Ohio                          | 5,645,682            | 5,645,682             | -                   | -                   |
| Total                              | <u>\$ 10,652,003</u> | <u>\$ 8,246,871</u>   | <u>\$ 1,243,815</u> | <u>\$ 1,161,317</u> |



**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the District.

*Credit Risk:* Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes. The following table summarizes the ratings assigned to the District's investments by Standard & Poor's:

| <u>Investment type</u>             | <u>Rating</u> |
|------------------------------------|---------------|
| U.S. government agency notes       | AA+ to AAA    |
| U.S. Treasury notes                | AA+           |
| Negotiable certificates of deposit | Not rated     |
| Commercial paper                   | A-1 to A-1+   |
| U.S. government money market fund  | Not rated     |
| STAR Ohio                          | AAAm          |

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee. The District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The 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 District at June 30, 2022:

| <u>Investment type</u>             | <u>Carrying<br/>Value</u> | <u>% of Total</u> |
|------------------------------------|---------------------------|-------------------|
| U.S. government agency notes       | \$ 765,000                | 7.18              |
| U.S. Treasury notes                | 994,765                   | 9.34              |
| Negotiable certificates of deposit | 1,242,570                 | 11.67             |
| Commercial paper                   | 1,995,392                 | 18.73             |
| U.S. Government money market fund  | 8,594                     | 0.08              |
| STAR Ohio                          | <u>5,645,682</u>          | <u>53.00</u>      |
| Total                              | <u>\$ 10,652,003</u>      | <u>100.00</u>     |

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

The following is a reconciliation of cash and investments as reported in the note above to cash as reported on the statement of net position as of June 30, 2022:

|  |                      |
|--|----------------------|
| <u>Cash and investments per note</u>                                       |                      |
| Carrying amount of deposits  | \$ 189,108           |
| Investments  | <u>10,652,003</u>    |
| Total  | <u>\$ 10,841,111</u> |
| <br><u>Cash and investments per statement of net position - cash basis</u> |                      |
| Governmental activities  | <u>\$ 10,841,111</u> |

**NOTE 5 - OTHER COMMITMENTS**

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

| <u>Fund</u>                                      | <u>Year-End<br/>Encumbrances</u> |
|--|----------------------------------|
| General  | \$ 78,654                        |
| Elementary and secondary school emergency relief | 10,475                           |
| Permanent improvement                            | 49,983                           |
| Nonmajor governmental                            | <u>108,782</u>                   |
| Total  | <u>\$ 247,894</u>                |

**NOTE 6 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The budgetary comparison statement presented for the general fund and the elementary and secondary school emergency relief fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The primary difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget basis) rather than as committed or assigned fund balance (cash basis). Additionally, as part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the following funds; public school support, flower, and termination benefits.

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HARDIN COUNTY, OHIO**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 6 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general and elementary and secondary school emergency relief fund:

|                             | <u>General fund</u> | <u>Elementary and<br/>Secondary School<br/>Emergency Relief fund</u> |
|-----------------------------|---------------------|--|
| Budget basis                | \$ 718,532          | \$ (12,041)  |
| Funds budgeted elsewhere    | 99,964              |  |
| Adjustment for encumbrances | <u>78,654</u>       | <u>10,475</u>  |
| Cash basis                  | <u>\$ 897,150</u>   | <u>\$ (1,566)</u>  |

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2022 represent the collection of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed values as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2022 represent the collection of calendar year 2021 taxes. Public utility real and personal property taxes received in calendar year 2022 became a lien on December 31, 2020, were levied after April 1, 2021, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Hardin, Auglaize and Logan Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2022 taxes were collected are:

|   | 2021 Second<br>Half Collections |                | 2022 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 86,508,890                   | 87.90          | \$ 86,800,790                  | 86.95          |
| Public utility personal                           | <u>11,913,480</u>               | <u>12.10</u>   | <u>13,024,830</u>              | <u>13.05</u>   |
| Total   | <u>\$ 98,422,370</u>            | <u>100.00</u>  | <u>\$ 99,825,620</u>           | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$31.60                         |                | \$31.00                        |                |

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - INCOME TAXES**

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

**NOTE 9 - DEBT**

A. During fiscal year 2022, the following activity occurred in governmental activities debt.

|                                     | Balance<br>06/30/21 | Additions | Reductions   | Balance<br>06/30/22 | Amounts<br>Due in<br>One Year |
|-------------------------------------|---------------------|-----------|--------------|---------------------|-------------------------------|
| <b>Governmental activities:</b>     |                     |           |              |                     |                               |
| <u>General obligation bonds:</u>    |                     |           |              |                     |                               |
| Series 2012 Refunding bonds         | \$ 635,000          | \$ -      | \$ (130,000) | \$ 505,000          | \$ 135,000                    |
| <u>Other long-term obligations:</u> |                     |           |              |                     |                               |
| Energy conservation note            | 155,000             | -         | (50,000)     | 105,000             | 50,000                        |
| Total governmental activities       | \$ 790,000          | \$ -      | \$ (180,000) | \$ 610,000          | \$ 185,000                    |

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

This refunding issue was comprised of both current interest bonds and capital appreciation bonds, in the amount of \$1,545,000 and \$19,999, respectively. The interest rate on the current interest bonds ranges from 1.0% to 2.8%. The current interest bonds mature on December 1, 2025 and will be retired through the bond retirement fund. The capital appreciation bonds matured on December 1, 2015 (interest rate yield 56.121%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity the capital appreciation bonds was \$120,000 with \$100,001 representing interest that accretes over the term of the bonds. At June 30, 2022, there were no capital appreciation bonds outstanding.

Interest payments on the current interest bonds are due on December 1 and June 1 of each year. The final maturity stated in the issue is December 1, 2025. Principal and interest payments are made from the Bond Retirement fund (a nonmajor governmental fund).

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:

| Year | Amount  |
|------|---------|
| 2023 | 270,000 |
| 2025 | 235,000 |

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

| <u>Fiscal<br/>Year Ending June 30,</u> | Current Interest<br>Term and Serial<br>General Obligation Bonds |           |            |
|--|---|-----------|------------|
|  | Principal   | Interest  | Total      |
| 2023                                   | \$ 135,000  | \$ 11,845 | \$ 146,845 |
| 2024                                   | 135,000   | 8,335     | 143,335    |
| 2025                                   | 140,000   | 4,620     | 144,620    |
| 2026                                   | 95,000  | 1,330     | 96,330     |
| Total                                  | \$ 505,000  | \$ 26,130 | \$ 531,130 |

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

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

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|------------------|-----------------|--------------|
| 2023                               | \$ 50,000        | \$ 4,100        | \$ 54,100    |
| 2024                               | 55,000           | 1,409           | 56,409       |
| Total                              | \$ 105,000       | \$ 5,509        | \$ 110,509   |

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the 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 District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2022, are a voted debt margin of \$8,969,710 (including available funds of \$490,404), an unvoted debt margin of \$99,826 and an energy conservation debt margin of \$793,431.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
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**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2022, the District contracted for the following insurance coverage:

| <u>Description</u>  | <u>Amount</u> |
|---|---------------|
| Property  | \$50,689,981  |
| Business interruption/rental income/tuition income combined   | 250,000       |
| Extra expense   | 1,000,000     |
| Crime   |               |
| Employee theft (per occurrence), forgery or alteration, computer fraud,<br>funds transfer fraud, social engineering fraud | 100,000       |
| Theft of money and securities   | 25,000        |

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

**B. Employee Medical, Dental, Vision and Life Insurance**

The District participates in the Hardin County School Employees’ Health and Welfare Benefit Plan and Trust (the “Trust”), a public entity shared risk pool consisting of seven local school districts, and the Ada Public Library (See Note 1.A.). Each participating member pays premiums to the Trust for employee medical, dental, life and vision coverage. The Trust is responsible for the management and operation of the program. Upon withdrawal, the District is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

**C. Workers’ Compensation**

The District participates in the Sheakley Worker’s Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability/Asset***

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

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2021, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

Funding Policy – Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10.00% for plan members and 14.00% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$130,638 for fiscal year 2022.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://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 (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.



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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$343,040 for fiscal year 2022.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

|  | <u>SERS</u>        | <u>STRS</u>         | <u>Total</u> |
|--|--------------------|---------------------|--------------|
| Proportion of the net pension liability prior measurement date   | 0.02348690%        | 0.01858994%         |              |
| Proportion of the net pension liability current measurement date | <u>0.02610090%</u> | <u>0.01844392%</u>  |              |
| Change in proportionate share                                    | <u>0.00261400%</u> | <u>-0.00014602%</u> |              |
| Proportionate share of the net pension liability                 | \$ 963,048         | \$ 2,358,221        | \$ 3,321,269 |

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

|   |   |
|---|---|
| Wage inflation:                               |   |
| Current measurement date                      | 2.40%                                       |
| Prior measurement date                        | 3.00%                                       |
| Future salary increases, including inflation: |   |
| Current measurement date                      | 3.25% to 13.58%                             |
| Prior measurement date                        | 3.50% to 18.20%                             |
| COLA or ad hoc COLA:                          |   |
| Current measurement date                      | 2.00%                                       |
| Prior measurement date                        | 2.50%                                       |
| Investment rate of return:                    |   |
| Current measurement date                      | 7.00% net of system expenses                |
| Prior measurement date                        | 7.50% net of system expenses                |
| Discount rate:                                |   |
| Current measurement date                      | 7.00%                                       |
| Prior measurement date                        | 7.50%                                       |
| Actuarial cost method                         | Entry age normal (level percent of payroll) |

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

In the prior measurement date, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>          | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|-----------------------------|------------------------------|---|
| Cash                        | 2.00 %                       | (0.33) %  |
| US Equity                   | 24.75                        | 5.72  |
| Non-US Equity Developed     | 13.50                        | 6.55  |
| Non-US Equity Emerging      | 6.75                         | 8.54  |
| Fixed Income/Global Bonds   | 19.00                        | 1.14  |
| Private Equity              | 11.00                        | 10.03   |
| Real Estate/Real Assets     | 16.00                        | 5.41  |
| Multi-Asset Strategy        | 4.00                         | 3.47  |
| Private Debt/Private Credit | 3.00                         | 5.28  |
| Total                       | <u>100.00 %</u>              |   |

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%), or one percentage point higher (8.00%) than the current rate.

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

|  | 1% Decrease  | Current<br>Discount Rate | 1% Increase |
|--|--------------|--------------------------|-------------|
| District's proportionate share<br>of the net pension liability | \$ 1,602,275 | \$ 963,048               | \$ 423,959  |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

|                                      | June 30, 2021   | June 30, 2020   |
|--------------------------------------|---|---|
| Inflation                            | 2.50%   | 2.50%   |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return            | 7.00%, net of investment<br>expenses, including inflation | 7.45%, net of investment<br>expenses, including inflation |
| Discount rate of return              | 7.00%   | 7.45%   |
| Payroll increases                    | 3.00%   | 3.00%   |
| Cost-of-living adjustments<br>(COLA) | 0.00%   | 0.00%   |

For the June 30, 2021, actuarial valuation, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class          | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return * |
|----------------------|----------------------|---|
| Domestic Equity      | 28.00 %              | 7.35 %                                      |
| International Equity | 23.00                | 7.55  |
| Alternatives         | 17.00                | 7.09  |
| Fixed Income         | 21.00                | 3.00  |
| Real Estate          | 10.00                | 6.00  |
| Liquidity Reserves   | 1.00                 | 2.25  |
| Total                | 100.00 %             |   |

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table represents the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

|  | 1% Decrease  | Current<br>Discount Rate | 1% Increase |
|--|--------------|--------------------------|-------------|
| District's proportionate share<br>of the net pension liability | \$ 4,416,065 | \$ 2,358,221             | \$ 619,347  |

**Changes Between Measurement Date and Reporting Date** - STRS approved a one-time 3.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2022. It is unknown what the effect this change will have on the net pension liability.

**NOTE 12 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

See Note 11 for a description of the net OPEB liability (asset).

**Plan Description - School Employees Retirement System (SERS)**

**Health Care Plan Description** - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the District's surcharge obligation was \$17,558.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$17,558 for fiscal year 2022.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability/Asset***

The net OPEB liability/asset was measured as of June 30, 2021, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Following is information related to the proportionate share:

|   | <u>SERS</u>        | <u>STRS</u>         | <u>Total</u> |
|---|--------------------|---------------------|--------------|
| Proportion of the net OPEB liability/asset prior measurement date   | 0.02450540%        | 0.01858994%         |              |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.02696460%</u> | <u>0.01844392%</u>  |              |
| Change in proportionate share                                       | <u>0.00245920%</u> | <u>-0.00014602%</u> |              |
| Proportionate share of the net OPEB liability                       | \$ 510,327         | \$ -                | \$ 510,327   |
| Proportionate share of the net OPEB asset                           | \$ -               | \$ 388,875          | \$ 388,875   |

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021 are presented below:

|  |   |
|--|---|
| Wage inflation:  |   |
| Current measurement date   | 2.40%   |
| Prior measurement date   | 3.00%   |
| Future salary increases, including inflation:  |   |
| Current measurement date   | 3.25% to 13.58%   |
| Prior measurement date   | 3.50% to 18.20%   |
| Investment rate of return:   |   |
| Current measurement date   | 7.00% net of investment<br>expense, including inflation |
| Prior measurement date   | 7.50% net of investment<br>expense, including inflation |
| Municipal bond index rate:   |   |
| Current measurement date   | 1.92%   |
| Prior measurement date   | 2.45%   |
| Single equivalent interest rate, net of plan investment expense,<br>including price inflation: |   |
| Current measurement date   | 2.27%   |
| Prior measurement date   | 2.63%   |
| Medical trend assumption:  |   |
| Current measurement date   |   |
| Medicare   | 5.125 to 4.400%   |
| Pre-Medicare   | 6.750 to 4.400%   |
| Prior measurement date   |   |
| Medicare   | 5.25 to 4.75%   |
| Pre-Medicare   | 7.00 to 4.75%   |

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five-year period ended June 30, 2020.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020 and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

| Asset Class                 | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash                        | 2.00 %               | (0.33) %                                  |
| US Equity                   | 24.75                | 5.72                                      |
| Non-US Equity Developed     | 13.50                | 6.55                                      |
| Non-US Equity Emerging      | 6.75                 | 8.54                                      |
| Fixed Income/Global Bonds   | 19.00                | 1.14                                      |
| Private Equity              | 11.00                | 10.03                                     |
| Real Estate/Real Assets     | 16.00                | 5.41                                      |
| Multi-Asset Strategy        | 4.00                 | 3.47                                      |
| Private Debt/Private Credit | 3.00                 | 5.28                                      |
| Total                       | <u>100.00 %</u>      |   |

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27%. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

|   | 1% Decrease | Current<br>Discount Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| District's proportionate share<br>of the net OPEB liability | \$ 632,357  | \$ 510,327               | \$ 412,841  |

  

|   | 1% Decrease | Current<br>Trend Rate | 1% Increase |
|---|-------------|-----------------------|-------------|
| District's proportionate share<br>of the net OPEB liability | \$ 392,910  | \$ 510,327            | \$ 667,160  |

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, compared with June 30, 2020, are presented below:

|                                      | June 30, 2021   |          | June 30, 2020   |          |
|--------------------------------------|---|----------|---|----------|
| Inflation                            | 2.50%   |          | 2.50%   |          |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    |          | 12.50% at age 20 to<br>2.50% at age 65                    |          |
| Investment rate of return            | 7.00%, net of investment<br>expenses, including inflation |          | 7.45%, net of investment<br>expenses, including inflation |          |
| Payroll increases                    | 3.00%   |          | 3.00%   |          |
| Cost-of-living adjustments<br>(COLA) | 0.00%   |          | 0.00%   |          |
| Discount rate of return              | 7.00%   |          | 7.45%   |          |
| Blended discount rate of return      | N/A   |          | N/A   |          |
| Health care cost trends              |   |          |   |          |
|                                      | Initial   | Ultimate | Initial   | Ultimate |
| Medical                              |   |          |   |          |
| Pre-Medicare                         | 5.00%   | 4.00%    | 5.00%   | 4.00%    |
| Medicare                             | -16.18%   | 4.00%    | -6.69%  | 4.00%    |
| Prescription Drug                    |   |          |   |          |
| Pre-Medicare                         | 6.50%   | 4.00%    | 6.50%   | 4.00%    |
| Medicare                             | 29.98%  | 4.00%    | 11.87%  | 4.00%    |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

***Assumption Changes Since the Prior Measurement Date*** - The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

**Benefit Term Changes Since the Prior Measurement Date** - The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return *</u> |
|----------------------|------------------------------|---|
| Domestic Equity      | 28.00 %                      | 7.35 %  |
| International Equity | 23.00                        | 7.55  |
| Alternatives         | 17.00                        | 7.09  |
| Fixed Income         | 21.00                        | 3.00  |
| Real Estate          | 10.00                        | 6.00  |
| Liquidity Reserves   | 1.00                         | 2.25  |
| Total                | <u>100.00 %</u>              |   |

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2021.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

|  | <u>1% Decrease</u>                                      | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|--|---|----------------------------------|--------------------|
|  | District's proportionate share<br>of the net OPEB asset | \$ 328,150                       | \$ 388,875         |
|  | <u>1% Decrease</u>                                      | <u>Current<br/>Trend Rate</u>    | <u>1% Increase</u> |
|  | District's proportionate share<br>of the net OPEB asset | \$ 437,546                       | \$ 388,875         |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Employee Insurance Benefits**

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

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. Foundation Funding**

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2022 Foundation Funding for the District. As a result of fiscal year 2022 enrollment adjustments, the District received an additional \$128.07. This amount has not been included in the financial statements.

**NOTE 15 - SET-ASIDES**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 15 - SET-ASIDES (Continued)**

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

|                                    | <u>Capital<br/>Improvements</u> |
|------------------------------------|---------------------------------|
| Set-aside balance June 30, 2021    | \$ -                            |
| Current year set-aside requirement | 76,269                          |
| Current year offsets               | <u>(264,333)</u>                |
| Set-aside balance June 30, 2022    | <u>\$ (188,064)</u>             |

During prior fiscal years, the District issued a total of \$2,336,189 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$2,298,684 at June 30, 2022.

**NOTE 16 - DONOR RESTRICTED ENDOWMENTS**

The District maintains a special revenue fund that includes donor restricted endowments. The amount of net appreciation in donor restricted investments that is available for disbursements by the District is \$17,451 and is included as restricted for scholarships at June 30, 2022. State law permits the District to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the monies should be used to provide a scholarship each year.

**NOTE 17 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the District received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the District. The impact on the District’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. The School District’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

**NOTE 18 - SUBSEQUENT EVENT**

The Upper Scioto Valley Local School District received both wind and solar PILOT payments that amounted to \$861,786 during the fiscal year ending June 30, 2023. The District will be the benefactor of additional Solar Pilot payments as phase 2 and phase 3 are in construction.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

| <b>FEDERAL GRANTOR</b><br><i>Pass Through Grantor</i><br><b>Program / Cluster Title</b>         | <b>Federal<br/>AL<br/>Number</b> | <b>Total Federal<br/>Expenditures</b> |
|---|----------------------------------|---------------------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>   |                                  |                                       |
| <i>Passed Through Ohio Department of Education</i>  |                                  |                                       |
| Child Nutrition Cluster:  |                                  |                                       |
| School Breakfast Program:   |                                  |                                       |
| School Breakfast Program  | 10.553                           | \$ 101,776                            |
| Total School Breakfast Program  |                                  | <u>101,776</u>                        |
| National School Lunch Program:  |                                  |                                       |
| National School Lunch Program Non-Cash Assistance (Food Distribution)                           | 10.555                           | 23,690                                |
| National School Lunch Program   | 10.555                           | <u>213,072</u>                        |
| Total National School Lunch Program   |                                  | <u>236,762</u>                        |
| Total Child Nutrition Cluster   |                                  | <u>338,538</u>                        |
| COVID-19 Pandemic EBT Administrative Costs  | 10.649                           | <u>614</u>                            |
| Total U.S. Department of Agriculture  |                                  | <u>339,152</u>                        |
| <b>U.S. DEPARTMENT OF THE TREASURY</b>  |                                  |                                       |
| <i>Passed Through Ohio Department of Education</i>  |                                  |                                       |
| COVID-19 Coronavirus Relief Fund_Broadband Ohio Connectivity                                    | 21.019                           | <u>775</u>                            |
| Total U.S. Department of the Treasury   |                                  | <u>775</u>                            |
| <b>U.S. FEDERAL COMMUNICATIONS COMMISSION</b>   |                                  |                                       |
| <i>Direct Program</i>   |                                  |                                       |
| COVID-19 Emergency Connectivity Fund (ECF) Program  | 32.009                           | <u>24,857</u>                         |
| Total U.S Federal Communications Commission   |                                  | <u>24,857</u>                         |
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |                                  |                                       |
| <i>Passed Through Ohio Department of Education</i>  |                                  |                                       |
| Title I Grants to Local Educational Agencies  | 84.010                           | 187,013                               |
| Special Education Cluster (IDEA):   |                                  |                                       |
| Special Education_Grants to States  | 84.027                           | 122,312                               |
| COVID-19 Special Education_Grants to States   | 84.027X                          | 22,907                                |
| Special Education_Preschool Grants  | 84.173                           | 4,315                                 |
| COVID-19 Special Education_Preschool Grants   | 84.173X                          | <u>1,697</u>                          |
| Total Special Education Cluster (IDEA)  |                                  | <u>151,231</u>                        |
| Supporting Effective Instruction State Grants   | 84.367                           | 22,780                                |
| Rural Education   | 84.358                           | 17,827                                |
| Student Support and Academic Enrichment Program   | 84.424                           | 11,865                                |
| COVID-19 Education Stabilization Fund   |                                  |                                       |
| COVID-19 Elementary and Secondary School Emergency Relief (ESSER I & II) Fund                   | 84.425D                          | 410,279                               |
| COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund | 84.425U                          | <u>1,185,914</u>                      |
| Total COVID-19 Education Stabilization Fund   |                                  | <u>1,596,193</u>                      |
| Total U.S. Department of Education  |                                  | <u>1,986,909</u>                      |
| Total Expenditures of Federal Awards  |                                  | <u>\$ 2,351,693</u>                   |

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

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Upper Scioto Valley Local School District (the District) under programs of the federal government for the fiscal year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE E – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.





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

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

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, (the District) as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 10, 2023, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the District.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2022-001.

***District's Response to Finding***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 10, 2023



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Board of Education

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Upper Scioto Valley Local School District's, Hardin County, (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Upper Scioto Valley Local School District's major federal program for the fiscal year ended June 30, 2022. Upper Scioto Valley Local School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Upper Scioto Valley Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the fiscal year ended June 30, 2022.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 10, 2023

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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2022**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |   |
|---------------------|---|---|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unmodified  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>      | No  |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | Yes   |
| <b>(d)(1)(iv)</b>   | <b>Were there any material weaknesses in internal control reported for major federal programs?</b>                    | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No  |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified  |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>  | No  |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | COVID-19 Education Stabilization Fund (ALN 84.425D and 84.425U) |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 750,000<br>Type B: all others                      |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee under 2 CFR § 200.520?</b>  | No  |

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

**FINDING NUMBER 2022-001**

**Noncompliance Citation**

**Ohio Rev. Code § 117.38(A)** 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.

**FINDING NUMBER 2022-001  
(Continued)**

**Ohio Admin. Code 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its financial statements according to generally accepted accounting principles.

**OFFICIALS' RESPONSE:**

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

|  |
|--|
| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b> |
|--|

None.





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**STACY GRATZ**  
 TREASURER  
 sgratz@usvschools.org

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### 2 CFR 200.511(b)

**JUNE 30, 2022**

| Finding Number | Finding Summary  | Status        | Additional Information  |
|----------------|--|---------------|---|
| 2021-001       | <p><b>Ohio Rev. Code § 117.38</b> and <b>Ohio Admin. Code § 117-2-03(B)</b> – Failed to file annual financial reports using generally accepted accounting principles.</p> <p>First reported in fiscal year 2004.</p> | Not Corrected | <p>The District acknowledges this requirement but will continue to report on the cash basis in order to save resources for the District.</p> <p>Will be repeated as Finding 2022-001.</p> |

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510 SOUTH COURTRIGHT STREET PO BOX 305 MCGUFFEY, OH 45859  
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**STACY GRATZ**  
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---

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**For the Fiscal Year Ended June 30, 2022**

|                                     |   |
|-------------------------------------|---|
| <b>Finding Number:</b>              | 2022-001  |
| <b>Planned Corrective Action:</b>   | The District acknowledges this requirement but will continue to report on a cash basis in order to save resources for the District. |
| <b>Anticipated Completion Date:</b> | N/A   |
| <b>Responsible Contact Person:</b>  | Stacy Gratz, Treasurer  |

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# OHIO AUDITOR OF STATE KEITH FABER



**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT**

**HARDIN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 6/13/2023**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)