

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 1997



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Education
Upper Scioto Valley Local School District
510 S. Courtright St.
McGuffey, OH 45859

We have reviewed the independent auditor's report of the Upper Scioto Valley Local School District, Hardin County, prepared by E.S. Evans and Company, for the audit period July 1, 1996 through June 30, 1997. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Upper Scioto Valley Local School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

October 4, 2001

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UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

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E.S. Evans and Company

Certified Public Accountants and Consultants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

August 15, 2001

INDEPENDENT AUDITORS' REPORT

Board of Education
Upper Scioto Valley Local School District and
Hardin County, Ohio

Auditor of State of Ohio
Columbus, Ohio

We have audited the accompanying general purpose financial statements of the Upper Scioto Valley Local School District as of and for the year ended June 30, 1997. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

Because of inadequacies in the School District's accounting records, we were unable to form an opinion regarding the budgeted (non-gaap) revenues and expenditures, along with the fixed assets reflected on the combined balance sheet.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary if budget reports and fixed asset details were available, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Upper Scioto Valley Local School District, as of June 30, 1997, and the results of its operations and cash flows of its proprietary funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated August 15, 2001 on our consideration of Upper Scioto Valley Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

E.S. Evans and Company

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1997

Assets and Other Debits	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 353,937	\$ 77,526	\$ 179,681
Receivables -			
Taxes	1,139,507	-	-
Accounts	1,779	333	-
Intergovernmental	3,856	368	-
Prepaid Items	2,529	1,000	-
Inventory Held for Resale	-	-	-
Materials and Supplies Inventory	-	-	-
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	-	-	-
<u>Other Debits:</u>			
Amount to be Provided from General Government Resources	-	-	-
Total Assets and Other Debits	\$ 1,501,608	\$ 79,227	\$ 179,681
Liabilities, Fund Equity and Other Credits			
<u>Liabilities:</u>			
Accounts Payable	\$ 28,837	\$ 2,463	\$ 820
Accrued Wages and Benefits	190,126	12,156	-
Compensated Absences Payable	8,529	-	-
Intergovernmental Payable	66,966	376	-
Deferred Revenue	995,304	233	-
Undistributed Monies	-	-	-
Due to Students	-	-	-
Capital Leases Payable	-	-	-
Energy Conservation Loan Payable	-	-	-
Total Liabilities	1,289,762	15,228	820
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	-	-	-
Retained Earnings, Unreserved	-	-	-
Fund Balance -			
Reserved for Encumbrances	33,324	7,555	7,209
Reserved for Property Taxes	55,437	-	-
Unreserved	123,085	56,444	171,652
Total Fund Equity and Other Credits	211,846	63,999	178,861
Total Liabilities, Fund Equity and Other Credits	\$ 1,501,608	\$ 79,227	\$ 179,681

The accompanying notes are an integral part of these financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 1,888	\$ 39,780	\$ -	\$ -	\$ 652,812
-	-	-	-	1,139,507
1,598	26	-	-	3,736
9,664	-	-	-	13,888
-	-	-	-	3,529
7,067	-	-	-	7,067
1,642	-	-	-	1,642
1,606	-	3,658,560	-	3,660,166
-	-	-	1,304,530	1,304,530
<u>\$ 23,465</u>	<u>\$ 39,806</u>	<u>\$ 3,658,560</u>	<u>\$ 1,304,530</u>	<u>\$ 6,786,877</u>
\$ 899	\$ 1,471	\$ -	\$ -	\$ 34,490
7,890	-	-	-	210,172
3,128	-	-	266,070	277,727
7,526	290	-	37,922	113,080
4,630	-	-	-	1,000,167
-	17,194	-	-	17,194
-	20,851	-	-	20,851
772	-	-	730,538	731,310
-	-	-	270,000	270,000
<u>24,845</u>	<u>39,806</u>	<u>-</u>	<u>1,304,530</u>	<u>2,674,991</u>
-	-	3,658,560	-	3,658,560
(1,380)	-	-	-	(1,380)
-	-	-	-	48,088
-	-	-	-	55,437
-	-	-	-	351,181
<u>(1,380)</u>	<u>-</u>	<u>3,658,560</u>	<u>-</u>	<u>4,111,886</u>
<u>\$ 23,465</u>	<u>\$ 39,806</u>	<u>\$ 3,658,560</u>	<u>\$ 1,304,530</u>	<u>\$ 6,786,877</u>

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the Year Ended June 30, 1997

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<u>Revenues:</u>					
Property Taxes	\$ 902,850	\$ -	\$ 58,450	\$ -	\$ 961,300
Income Taxes	200,365	-	-	-	200,365
Intergovernmental	2,276,589	147,850	-	109,827	2,534,266
Interest	29,181	-	-	831	30,012
Tuition and Fees	2,626	-	-	-	2,626
Extracurricular Activities	-	79,198	-	-	79,198
Gifts and Donations	6,220	1,843	-	-	8,063
Miscellaneous	6,551	-	-	59,144	65,695
Total Revenues	<u>3,424,382</u>	<u>228,891</u>	<u>58,450</u>	<u>169,802</u>	<u>3,881,525</u>
<u>Expenditures:</u>					
Current -					
Instruction -					
Regular	1,482,988	33,596	-	-	1,516,584
Special	213,514	117,831	-	-	331,345
Vocational	155,639	479	-	1,126	157,244
Other	21,492	288	-	-	21,780
Support Services -					
Pupils	87,625	2,070	-	-	89,695
Instructional Staff	116,061	61	-	9,907	126,029
Board of Education	24,338	-	-	-	24,338
Administration	341,442	-	-	-	341,442
Fiscal	94,052	-	-	-	94,052
Operation and Maintenance	379,548	-	-	1,650	381,198
Pupil Transportation	258,809	-	-	-	258,809
Central	9,963	-	-	-	9,963
Non-Instructional Services	4,394	-	-	-	4,394
Extracurricular Activities	64,915	70,779	-	-	135,694
Debt Service -					
Principal Retirement	9,293	-	40,000	-	49,293
Interest and Fiscal Charges	28,455	-	18,450	-	46,905
Total Expenditures	<u>3,292,528</u>	<u>225,104</u>	<u>58,450</u>	<u>12,683</u>	<u>3,588,765</u>
Excess of Revenues Over (Under) Expenditures	<u>131,854</u>	<u>3,787</u>	<u>-</u>	<u>157,119</u>	<u>292,760</u>

The accompanying notes are an integral part of these financial statements.
(continued)

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the Year Ended June 30, 1997

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<u>Other Financing Sources (Uses):</u>					
Proceeds from Disposal of Fixed Assets \$	3,650	\$ -	\$ -	\$ -	\$ 3,650
Operating Transfers In	-	1,776	-	-	1,776
Operating Transfers Out	(9,776)	-	-	-	(9,776)
Total Other Financing Sources (Uses)	(6,126)	1,776	-	-	(4,350)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses					
	125,728	5,563	-	157,119	288,410
Fund Balances at Beginning of Year	86,118	58,436	-	21,742	166,296
Fund Balances at End of Year	\$ 211,846	\$ 63,999	\$ -	\$ 178,861	\$ 454,706

The accompanying notes are an integral part of these financial statements.
(concluded)

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL - ALL GOVERNMENTAL FUND TYPES

For the Year Ended June 30, 1997

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$ 935,439	\$ 918,505	\$ (16,934)	\$ -	\$ -	\$ -
Income Taxes	134,640	140,598	5,958	-	-	-
Intergovernmental	2,261,540	2,276,589	15,049	161,169	161,534	365
Interest	15,000	29,181	14,181	-	-	-
Tuition and Fees	3,000	2,850	(150)	-	-	-
Extracurricular Activities	-	-	-	10,842	79,465	68,623
Gifts and Donations	-	220	220	1,850	1,818	(32)
Miscellaneous	13,975	8,179	(5,796)	-	-	-
Total Revenues	<u>3,363,594</u>	<u>3,376,122</u>	<u>12,528</u>	<u>173,861</u>	<u>242,817</u>	<u>68,956</u>
<u>Expenditures:</u>						
Current -						
Instruction -						
Regular	1,553,635	1,536,098	17,537	38,086	37,911	175
Special	224,083	212,006	12,077	133,558	123,496	10,062
Vocational	159,930	157,724	2,206	479	479	-
Other	23,888	23,882	6	288	288	-
Support Services -						
Pupils	90,877	90,640	237	3,000	2,370	630
Instructional Staff	125,995	120,994	5,001	5,798	3,221	2,577
Board of Education	25,259	25,140	119	-	-	-
Administration	360,451	356,095	4,356	4,089	-	4,089
Fiscal	106,317	101,862	4,455	-	-	-
Operation and Maintenance	403,509	399,701	3,808	-	-	-
Pupil Transportation	263,245	261,486	1,759	-	-	-
Central	16,859	15,447	1,412	-	-	-
Operation of Non-Instructional Service	4,500	4,394	106	78,073	74,121	3,952
Extracurricular Activities	70,032	64,761	5,271	-	-	-
Capital Outlay	28,000	28,000	-	-	-	-
Debt Service -						
Principal Retirement	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>3,456,580</u>	<u>3,398,230</u>	<u>58,350</u>	<u>263,371</u>	<u>241,886</u>	<u>21,485</u>

The accompanying notes are an integral part of these financial statements.
(continued)

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 58,450	\$ 58,450	\$ -	\$ -	\$ -	\$ -	\$ 993,889	\$ 976,955	\$ (16,934)
-	-	-	-	-	-	134,640	140,598	5,958
-	-	-	110,327	109,827	(500)	2,533,036	2,547,950	14,914
-	-	-	-	831	831	15,000	30,012	15,012
-	-	-	-	-	-	3,000	2,850	(150)
-	-	-	-	-	-	10,842	79,465	68,623
-	-	-	-	-	-	1,850	2,038	188
-	-	-	5,000	59,144	54,144	18,975	67,323	48,348
<u>58,450</u>	<u>58,450</u>	<u>-</u>	<u>115,327</u>	<u>169,802</u>	<u>54,475</u>	<u>3,711,232</u>	<u>3,847,191</u>	<u>135,959</u>
-	-	-	-	-	-	1,591,721	1,574,009	17,712
-	-	-	-	-	-	357,641	335,502	22,139
-	-	-	1,141	1,141	-	161,550	159,344	2,206
-	-	-	-	-	-	24,176	24,170	6
-	-	-	-	-	-	93,877	93,010	867
-	-	-	59,675	54,584	5,091	191,468	178,799	12,669
-	-	-	-	-	-	25,259	25,140	119
-	-	-	-	-	-	364,540	356,095	8,445
-	-	-	-	-	-	106,317	101,862	4,455
-	-	-	14,786	1,650	13,136	418,295	401,351	16,944
-	-	-	-	-	-	263,245	261,486	1,759
-	-	-	-	-	-	16,859	15,447	1,412
-	-	-	-	-	-	82,573	78,515	4,058
-	-	-	-	-	-	70,032	64,761	5,271
-	-	-	-	-	-	28,000	28,000	-
40,000	40,000	-	-	-	-	40,000	40,000	-
18,450	18,450	-	-	-	-	18,450	18,450	-
<u>58,450</u>	<u>58,450</u>	<u>-</u>	<u>75,602</u>	<u>57,375</u>	<u>18,227</u>	<u>3,854,003</u>	<u>3,755,941</u>	<u>98,062</u>

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL - ALL GOVERNMENTAL FUND TYPES**

For the Year Ended June 30, 1997

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Excess of Revenues Over (Under) Expenditures \$	(92,986)	(22,108)	70,878	(89,510)	931	90,441
<u>Other Financing Sources(Uses):</u>						
Proceeds from Disposal of Fixed Assets	-	3,650	3,650	-	-	-
Refund of Prior Year Expenditures	-	74	74	-	-	-
Advances In	1,000	332	1,332	-	-	-
Advances Out	-	-	-	(332)	(332)	-
Operating Transfers In	-	-	-	9,500	1,776	(7,724)
Operating Transfers Out	(9,776)	(9,776)	-	(9,434)	-	9,434
Total Other Financing Sources (Uses)	(8,776)	(5,720)	5,056	(266)	1,444	1,710
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(101,762)	(27,828)	75,934	(89,776)	2,375	92,151
Fund Balance at Beginning of Year	287,754	287,754	-	59,732	59,732	-
Prior Year Encumbrances Appropriated	44,505	44,505	-	5,642	5,642	-
Fund Balance (Deficit) at End of Year	<u>\$ 230,497</u>	<u>\$ 304,431</u>	<u>\$ 75,934</u>	<u>\$ (24,402)</u>	<u>\$ 67,749</u>	<u>\$ 92,151</u>

The accompanying notes are an integral part of these financial statements.
(continued)

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 39,725	\$ 112,427	\$ 72,702	\$ (142,771)	\$ 91,250	\$ 234,021
-	-	-	-	-	-	-	3,650	3,650
-	-	-	-	-	-	-	74	74
-	-	-	-	-	-	1,000	332	(668)
-	-	-	-	-	-	(332)	(332)	-
-	-	-	-	-	-	9,500	1,776	(7,724)
-	-	-	(5,000)	-	5,000	(24,210)	(9,776)	14,434
-	-	-	(5,000)	-	5,000	(14,042)	(4,276)	9,766
-	-	-	34,725	112,427	77,702	(156,813)	86,974	243,787
-	-	-	21,478	21,478	-	368,964	368,964	-
-	-	-	37,747	37,747	-	87,894	87,894	-
\$ -	\$ -	\$ -	\$ 93,950	\$ 171,652	\$ 77,702	\$ 300,045	\$ 543,832	\$ 243,787

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY - PROPRIETARY FUND TYPE

For the Year Ended June 30, 1997

	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Sales	\$ <u>136,886</u>
<u>Operating Expenses:</u>	
Salaries	63,922
Fringe Benefits	34,540
Purchased Services	5,131
Materials and Supplies	16,111
Cost of Sales	103,333
Depreciation	<u>571</u>
Total Operating Expenses	<u>223,608</u>
Operating Loss	<u>(86,722)</u>
<u>Non-Operating Revenues (Expenses):</u>	
Federal Donated Commodities	15,810
Operating Grants	60,250
Interest and Fiscal Charges	<u>(360)</u>
Total Non-Operating Revenues	<u>75,700</u>
Net Income/(Loss) before Operating Transfers	(11,022)
Operating Transfer In	<u>8,000</u>
Net Income/(Loss)	(3,022)
Retained Earnings (Deficit) at Beginning of Year	<u>1,642</u>
Retained Earnings (Deficit) at End of Year	<u>\$ (1,380)</u>

The accompanying notes are an integral part of these financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - PROPRIETARY FUND TYPE

For the Year Ended June 30, 1997

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$ 140,739	\$ 138,791	\$ (1,948)
Operating Grants	48,992	50,586	1,594
Total Revenues	189,731	189,377	(354)
<u>Expenses:</u>			
Salaries	63,657	63,657	-
Fringe Benefits	32,161	31,820	341
Purchased Services	5,527	5,325	202
Materials and Supplies	103,995	103,505	490
Capital Outlay	1,001	1,001	-
Total Expenses	206,341	205,308	1,033
Excess of Revenues Over (Under) Expenses	(16,610)	(15,931)	679
Operating Transfers In	10,000	8,000	(2,000)
Excess of Revenues Over (Under) Expenses and Operating Transfers	(6,610)	(7,931)	(1,321)
Fund Equity at Beginning of Year	8,488	8,488	-
Prior Year Encumbrances Appropriated	799	799	-
Fund Equity (Deficit) at End of Year	\$ 2,677	\$ 1,356	\$ (1,321)

The accompanying notes are an integral part of these financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Year Ended June 30, 1997

	<u>Enterprise</u>
Increase (Decrease) in Cash and Cash Equivalents	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 138,791
Cash Payments to Suppliers for Goods and Services	(108,298)
Cash Payments to Employees for Services	(63,657)
Cash Payments for Fringe Benefits	(31,820)
Cash Payments for Other Operating Expenses	(77)
Net Cash Provided by (Used for) Operating Activities	(65,061)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfers In	8,000
Cash Received from Operating Grants	50,586
Net Cash Provided by Non-Capital Financing Activities	58,586
<u>Cash Flows from Capital Financing Activities:</u>	
Principal Paid on Capital Lease	(564)
Interest Paid on Capital Lease	(360)
Net Cash Provided by (Used for) Capital Financing Activities	(924)
Net Increase in Cash and Cash Equivalents	(7,399)
Cash and Cash Equivalents at Beginning of Year	9,287
Cash and Cash Equivalents at End of Year	\$ 1,888

The accompanying notes are an integral part of these financial statements.
(continued)

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Year Ended June 30, 1997

	<u>Enterprise</u>
Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	\$ (86,722)
Adjustments to Reconcile Operating Income (Loss) to <u>Net Cash Provided by (Used for) Operating Activities:</u>	
Federal Donated Commodities	15,810
Depreciation	571
Changes in Assets and Liabilities -	
Decrease in Accounts Receivable	1,905
Decrease in Prepaid Items	6
Increase in Inventory Held for Resale	(115)
Increase in Materials and Supplies Inventory	(119)
Increase in Accounts Payable	618
Decrease in Accrued Wages and Benefits	(2,590)
Increase in Compensated Absences	1,962
Increase in Due to Other Governments	<u>3,613</u>
Net Cash Provided by (Used for) Operating Activities	\$ <u><u>(65,061)</u></u>

The accompanying notes are an integral part of these financial statements.
(concluded)

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note A - Description of the School District and Reporting Entity

Description of the School

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

The School District was established in 1929 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 95 square miles. It is located in Hardin County, and includes all of the Village of McGuffey, all of Marion and Roundhead Townships, and portions of McDonald, Cessna, and Lynn Townships. The School District is the 557th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 33 non-certificated employees, 52 certificated full-time teaching personnel and 3 administrative employees who provide services to 797 students and other community members. The School District currently operates 3 instructional buildings.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Upper Scioto Valley Local School District.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note A - Description of the School District and Reporting Entity (continued)

Reporting Entity (continued)

The School District is associated with two jointly governed organizations, two insurance purchasing pools, and a related organization. These organizations include the Western Ohio Computer Organization, Ohio Hi-Point Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Alger Public Library. These organizations are presented in notes P, Q, and R to the general purpose financial statements.

Note B - Summary of Significant Accounting Policies

Basis of Presentation

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

Basis of Presentation - Fund Accounting

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

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

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

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note B - Summary of Significant Accounting Policies (continued)

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Type

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

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

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note B - Summary of Significant Accounting Policies (continued)

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary fund consists of agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

Measurement Focus and Basis of Accounting

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

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

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note B - Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: tax-payer assessed income taxes, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1997, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 1998 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note B - Summary of Significant Accounting Policies (continued)

Budgetary Process

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

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

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

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

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

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note B - Summary of Significant Accounting Policies (continued)

Budgetary Process (continued)

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1997.

Appropriations

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note B - Summary of Significant Accounting Policies (continued)

Budgetary Process (continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 1997, investments were limited to certificates of deposit and STAR Ohio. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note B - Summary of Significant Accounting Policies (continued)

Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1997, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Fixed Assets and Depreciation

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

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

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

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note B - Summary of Significant Accounting Policies (continued)

Intergovernmental Revenues

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

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

Entitlements:

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Professional Development Block Grant
- Chapter I
- Chapter II

Capital Projects Funds

- Vocational Education Equipment
- School Net

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 65 percent of the School District's operating revenue during the 1997 fiscal year.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note B - Summary of Significant Accounting Policies (continued)

Interfund Assets/Liabilities

Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for classified employees after ten years of current service with the School District and for certified employees and administrators after ten years of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note B - Summary of Significant Accounting Policies (continued)

Accrued Liabilities and Long-Term Obligations (continued)

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Interfund Transactions

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

Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances and long-term advances to other funds. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

Total Columns on General Purpose Financial Statements

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

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note C - Accountability and Compliance

Accountability

At June 30, 1997, the Food Service enterprise fund had deficit retained earnings of \$3,572 which is the result of accumulated operating losses. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note D - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note D - Budgetary Basis of Accounting (continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

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

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Funds

	General	Special Revenue	Capital Projects
GAAP Basis	\$ 125,728	\$ 5,563	\$ 157,119
Increase (Decrease) Due to -			
Revenue Accruals	(45,428)	13,851	-
Expenditure Accruals	(64,624)	(7,371)	(36,663)
Prepaid Items	5,670	441	-
Advances-In	332	-	-
Advances-Out	-	(332)	-
Encumbrances Outstanding at Year End (Budget Basis)	(49,506)	(9,777)	(8,029)
Budget Basis	\$ (27,828)	\$ 2,375	\$ 112,427

Net Income/Excess of Revenues Over (Under)
Expenses, Transfers and Advances All Proprietary Fund Types

	Enterprise
GAAP Basis	\$ (3,022)
Increase (Decrease) Due to -	
Revenue Accrual	(7,759)
Expense Accrual	3,603
Prepaid Items	6
Materials and Supplies Inventory	(119)
Inventory Held for Resale	(115)
Depreciation Expense	571
Payment of Capital Lease	(564)
Encumbrances Outstanding at Year End (Budget Basis)	(532)
Budget Basis	\$ (7,931)

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note E - Deposits and Investments

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

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

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

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

Interim monies may be invested in the following obligations. In general, investments must mature or be redeemable within two years from the date of purchase:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality; including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note E - 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. The State Treasurer's investment pool (STAR Ohio); and
7. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments 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.

At fiscal year end, the School District had \$30 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reserve Repurchase Agreements".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$379,402 and the bank balance was \$463,111. Of the bank balance, \$211,689 was covered by federal depository insurance and \$251,422 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note E - Deposits and Investments (continued)

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

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 652,812	\$ -
Cash on Hand	(30)	-
Investments - STAR Ohio	<u>(273,380)</u>	<u>273,380</u>
GASB Statement 3	<u>\$ 379,402</u>	<u>\$ 273,380</u>

Note F - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note F - Property Taxes (continued)

Real property taxes are payable annually or semi-annually. If paid annually; payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Hardin, Logan and Auglaize Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1997, are available to finance fiscal year 1996 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1997. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1997, was \$55,437 in the General Fund.

The assessed values upon which fiscal year 1997 taxes were collected are:

	1996 Second - Half Collections		1997 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 30,764,320	85.85 %	\$ 31,643,890	85.95 %
Public Utility	4,374,788	12.31	4,422,290	12.22
Tangible Personal Property	655,172	1.84	727,613	1.83
Total Assessed Value	\$ 35,794,280	100.00 %	\$ 36,793,793	100.00 %
Tax Rate Per \$1,000 of Assessed Valuation	\$37.20		\$37.20	

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note G - Receivables

Receivables at June 30, 1997, consisted of property taxes, accounts (student fees and billings for user charged services) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
Transportation Reimbursement	\$ 3,242
OWA Teacher Reimbursement	614
Total General Fund	3,856
Special Revenue Funds - Post Secondary Vocational Equipment	368
Enterprise Fund - National School Lunch Program	9,664
Total Intergovernmental Receivables	\$ 13,888

Note H - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 1997, follows:

Furniture and Equipment	\$ 22,806
Less Accumulated Depreciation	(21,200)
Net Fixed Assets	\$ 1,606

A summary of the changes in general fixed assets during fiscal year 1997, follows:

Asset Category	Balance at 6-30-96	Additions	Deletions	Balance at 6-30-97
Building and Improvements	\$ 2,429,441	\$ -	\$ -	\$ 2,429,441
Furniture, Fixtures and Equipment	846,826	-	-	846,826
Vehicles	382,293	-	-	382,293
Total General Fixed Assets	\$ 3,658,560	\$ -	\$ -	\$ 3,658,560

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note I- Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1997, the School District contracted with Indiana Insurance for property insurance and fleet insurance and with Nationwide Insurance for liability insurance.

Coverages provided by Indiana Insurance are as follows:

	<u>Deductible</u>	<u>Coverage</u>
Blanket Building and Contents - replacement cost	\$ 500	\$ 14,979,048
Boiler and Machinery -Limit per accident	500	2,563,301
Musical Instruments	100	66,402
Automobile Liability	250	1,000,000
Theft and Disappearance	N/A	2,000

Coverages provided by Nationwide Insurance are as follows:

Commercial Umbrella	\$ 2,000,000
General Liability -	
Per occurrence	1,000,000
Total per year	5,000,000

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

For fiscal year 1997, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note Q). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note I - Risk Management – (continued)

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

Note J - Defined Benefit Pension Plans

School Employees Retirement System

The Upper Scioto Valley Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Upper Scioto Valley Local School District is required to contribute 14 percent; 10.50 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1997, 1996, and 1995 were \$44,146, \$43,280, and \$41,025, respectively; 35.2 percent has been contributed for fiscal year 1997 and 100 percent for the fiscal years 1996 and 1995. \$28,593 representing the unpaid contribution for fiscal year 1997, is recorded as a liability within the respective funds and the general long-term obligations account group.

State Teachers Retirement System

The Upper Scioto Valley Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note J - Defined Benefit Pension Plans – (continued)

State Teachers Retirement System – (continued)

STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Upper Scioto Valley Local School District is required to contribute 14 percent; 12 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1997, 1996, and 1995 were \$218,604, \$209,368, and \$211,232, respectively; 83.4 percent has been contributed for fiscal year 1997 and 100 percent for the fiscal years 1996 and 1995. \$36,367 representing the unpaid contribution for fiscal year 1997, is recorded as a liability within the respective funds.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1997, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

Note K - Post Employment Benefits

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District, this amount equaled \$36,434 during the 1997 fiscal year. As of June 30, 1996, eligible benefit recipients totaled 83,132. For the fiscal year ended June 30, 1996, net health care costs paid by STRS were \$176,773,000.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note K - Post Employment Benefits (continued)

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

For this fiscal year, employer contributions to fund health care benefits were 3.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1997, the minimum pay has been established at \$12,400. For the School District, this amount equaled \$33,291 during the 1997 fiscal year. The number of participants currently receiving health care benefits is 46,300. For the fiscal year ended June 30, 1996, net health care costs paid by SERS were \$90,212,211.

Note L - Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators 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 208 days for certified and 189 days for non-certified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 52 days for certified and 46 days for non-certified employees.

Life and Dental Insurance

The School District provides life insurance, accidental death and dismemberment insurance, and dental insurance to most employees through CoreSource. The School District has elected to provide employee medical/surgical benefits through Blue Cross/Blue Shield. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note M - Capital Leases - Lessee Disclosure

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

General fixed assets consisting of equipment and a gym building have been capitalized in the general fixed assets account group and the enterprise funds in the amount of \$746,591 and \$2,562. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The carrying value of the enterprise leased asset is \$854. Principal payments in fiscal year 1997 totaled \$9,293 in the governmental funds and \$564 in the enterprise funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1997.

Fiscal Year Ending June 30,	General Long Term Obligations Account Group	Enterprise
1998	\$ 37,749	\$ 832
1999	37,749	-
2000	37,185	-
2001	34,000	-
2002	34,000	-
2003 to 2040	1,312,000	-
Total	1,492,683	832
Less: Amount Representing Interest	(762,145)	(60)
Present Value of Net Minimum Lease Payments	\$ 730,538	\$ 772

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note N - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 1997 were as follows:

	Principal Outstanding 6-30-96	Additions	Reductions	Principal Outstanding 6-30-97
General Long-Term Obligations -				
1992, 6.15% Energy Conservation Loan	\$ 310,000	\$ -	\$ 40,000	\$ 270,000
Compensated Absences	258,861	7,209	-	266,070
Pension Obligation	22,304	37,922	22,304	37,922
Capital Leases	739,831	-	9,293	730,538
Total General Long-Term Obligations	1,330,996	45,131	71,597	1,304,530
Enterprise Fund Obligations -				
Compensated Absences	1,166	1,962	-	3,128
Capital Leases	1,336	-	564	772
Total Enterprise Fund Obligations	2,502	1,962	564	3,900
Total Long-Term Obligations	\$ 1,333,498	\$ 47,093	\$ 72,161	\$ 1,308,430

Energy Conservation Loan - In fiscal year 1992, Upper Scioto Valley Local School District issued \$435,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2003. The loan will be retired from the debt service fund.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease. Capital leases will be paid from the General Fund and the Lunchroom Enterprise Fund.

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 1997, are as follows:

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note N - Long-Term Obligations (continued)

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
1998	\$55,990
1999	58,530
2000	60,609
2001	57,534
2002	59,459
2001-2003	<u>30,923</u>
Total	<u>\$ 323,045</u>

The School District's voted legal debt margin was \$1,103,814 with an unvoted debt margin of \$367,938 at June 30, 1997.

Note O - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of Upper Scioto Valley Local School District as of and for the fiscal year ended June 30, 1997.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$ 115,908	\$ 20,978	\$ 136,886
Depreciation Expense	571	-	571
Operating Income (Loss)	(83,616)	(3,106)	(86,722)
Non-Operating Revenues (Expenses) -			
Donated Commodities	15,810	-	15,810
Operating Grants	60,250	-	60,250
Interest and Fiscal Charges	(360)	-	(360)
Net Income	84	(3,106)	(3,022)
Net Working Capital	(2,050)	2,192	142
Total Assets	21,273	2,192	23,465
Total Long-Term Liabilities	3,900	-	3,900
Total Equity	(3,572)	2,192	(1,380)
Encumbrances Outstanding at June 30, 1997	-	532	532

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note P - Jointly Governed Organizations

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts in within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consist of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Larry Wilberding, who serves as director, at 129 E. Court Street, Sidney, Ohio 45365.

Ohio Hi-Point Joint Vocational School - Ohio Hi-Point Joint Vocational School (the "JVS") serves Auglaize, Champaign, Hardin, and Logan Counties. The JVS is a distinct political subdivision of the State of Ohio and is operated under the direction of a Board consisting of two representatives each from Champaign and Logan Counties, one representative each from Auglaize and Hardin Counties, one representative from each of the exempted village schools and one representative from each of the city schools. Each representative is a voting member of the Ohio Hi-Point Joint Vocational School Board of Education. Although the Upper Scioto Valley Local School District sends students to the JVS for training in various vocational areas, the Upper Scioto Valley Local School District is not involved in the budgeting or management, and is not responsible for any debt and has no influence over the organization. To obtain financial information, write to the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, Treasurer, 2280 State Route 540, Bellefontaine, Ohio 43311.

Note Q - Insurance Purchasing Pools

Hardin County School Employees' Health and Welfare Benefit and Trust - The Hardin County Schools Health Benefit Fund and Trust (the Trust) is a public entity shared risk pool consisting of six school districts and the Hardin County Educational Service Center. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note Q - Insurance Purchasing Pools (continued)

Each school district decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Rick Combs, who serves as director, at 220 East Columbus Street, P. O. Box 735, Kenton, Ohio 44326.

Ohio School Boards Association Workers' Compensation Group Rating Plan -

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of the President-Elect and the immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note R - Related Organization

Alger Public Library

The Alger Public Library is a distinct political subdivision of the State of Ohio governed by a Board of Trustees. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the Upper Scioto Valley Local School District for operational subsidies. Although the Upper Scioto Valley Local School District does serve as the taxing authority for the library and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Alger Public Library, 100 West Wagner Street, Alger, Ohio 45812.

Note S - Contingent Liabilities

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1997.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 1997

Note S - Contingent Liabilities (continued)

Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note T – School Funding

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1997, the District received \$7,189,545 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on the issue. The Court concluded, "...the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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



E.S. Evans and Company

Certified Public Accountants and Consultants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

Robert E. Wendel, CPA

• Dan F. Clifford, CPA

• E.S. Evans, CPA, PFS (1930-1999)

August 15, 2001

**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Upper Scioto Valley Local School District
Hardin County, Ohio

Auditor of State of Ohio
Columbus, Ohio

and

We have audited the general purpose financial statements of Upper Scioto Valley Local School District as of and for the year ended June 30, 1997, and have issued our report thereon dated August 15, 2001, which was qualified because of inadequacies in the School District's accounting records. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Upper Scioto Valley Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards, which are described in the accompanying Schedule of Findings and Questioned Costs as items 97-01, 97-02, 97-03, 97-04, 97-05, 97-06, 97-07, 97-08, and 97-09.

We also noted certain immaterial instances of non-compliance, which we have reported to management of Upper Scioto Valley Local School District in a separate letter dated August 15, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Upper Scioto Valley Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Upper Scioto Valley Local School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 97-10, 97-11, 97-12, 97-13 and 97-14.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of Upper Scioto Valley Local School District in a separate letter dated August 15, 2001.

This report is intended for the information of the management, Board of Education, and Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.



UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

SCHEDULE OF FINDINGS
For the Fiscal Year Ended June 30, 1997

Finding Number	Finding Summary
97-01 Material Noncompliance	<p><u>Deposits of Public Money</u></p> <p>Ohio Revised Code Section 9.38 states that public money must be deposited with the Treasurer of the public office or to a designated depository within 24 hours of collection. We found many receipts were not being deposited within 24 hours.</p> <p>We recommend that all money received by deposited into the financial depository by the next business day. By depositing in a timely fashion allows for the School District to receive additional interest income on these funds, and it also decreases the risk of theft should money be held in an unsecure location.</p>
97-02 Material Noncompliance	<p><u>Spending Plan</u></p> <p>Ohio Revised Code Section 5705.391 requires the School Board to adopt as part of its annual appropriation measure a “spending plan”. A copy of each appropriation measure and related spending plan is to be submitted to the superintendent of public instruction.</p> <p>We found no evidence that the spending plan was submitted to the superintendent of public instruction. We recommend this be sent by certified mail to obtain a receipt, or if submitted electronically, a printed copy of the electronic file be retained.</p>
97-03 Material Noncompliance	<p><u>Transfer of Funds</u></p> <p>Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 outline requirements regarding the transfer of funds. Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members.</p> <p>We found transfers made during the year that did not have Board documented approval. We recommend that all transfers be approved by the Board of Education and that this approval be specifically documented in the Board minutes.</p>

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

SCHEDULE OF FINDINGS
For the Fiscal Year Ended June 30, 1997

Finding Number	Finding Summary
97-04 Material Noncompliance	<p><u>412 Certificates</u></p> <p>Ohio Revised Code Section 5705.412 places restrictions upon school district expenditures. No school district is supposed to adopt any appropriation, make any contract, give any order to expend money or increase salary schedules during any school year without attaching a "412" certificate. These certificates need to be signed by the Treasurer, Board President, and the Superintendent. The Treasurer is also required to file a copy of all 412 certificates with the County Auditor.</p> <p>We found no evidence that any 412 certificates were issued or filed with the County Auditor. These certificates provide that the school district has in effect for the remainder of the fiscal year and the succeeding fiscal year the authorization to levy taxes which, when combined with estimated revenue from all other sources available at the time of the certification, are sufficient to provide the operating revenues necessary to enable the district to operate an adequate educational program for all days in the current and succeeding fiscal years. We recommend that these certificates be properly issued and filed with the appropriate authorities.</p>
97-05 Material Noncompliance	<p><u>Certification of Available Revenue</u></p> <p>Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year.</p> <p>We could not locate this original certification for the fiscal year.</p>

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

SCHEDULE OF FINDINGS
For the Fiscal Year Ended June 30, 1997

Finding Number	Finding Summary
97-06 Material Noncompliance	<p><u>Amended Certificates</u></p> <p>Ohio Revised Code Section 5705.36 allows all local governments to request increased amended certificates of estimated resources, and allows school districts to request reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.</p> <p>We could not locate any amended certificates, nor the original certificate of available revenues for the year.</p>
97-07 Material Noncompliance	<p><u>Appropriations limited by estimated resources</u></p> <p>Ohio Revised Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.</p> <p>We could not determine if the school district is in compliance with ORC 5705.39 as we have no official evidence of estimated resources or appropriations. In addition, no County Auditor certificates were located. We found in the Board Minutes where temporary appropriations and permanent appropriations were passed but copies of these were not made available to us during our audit.</p>
97-08 Material Noncompliance	<p><u>Amending appropriations</u></p> <p>Ohio Revised Code Section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. Per the Board Minutes, the school district amended appropriations throughout the year. However, no copies of these amendments, nor the certificates issued by the County Auditor were made available to us during the audit.</p>

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

SCHEDULE OF FINDINGS
For the Fiscal Year Ended June 30, 1997

Finding Number	Finding Summary
97-09 Material Noncompliance	<p><u>Expenditures limited by appropriations</u></p> <p>Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. We could not determine if total expenditures and contract commitments from each fund were within the appropriations as we have no evidence of the final appropriation figures.</p>
97-10 Reportable Condition	<p><u>Cash Disbursements/Purchase Orders</u></p> <p>In a sample of cash disbursements selected on a random basis for review, we found some disbursements exceeded the purchase order amount. In some instances, the amount involved was under \$1,000. These purchases could easily be approved by affixing the then and now certification allowed under ORC 5705.41(D). We also found a purchase order not signed by the Treasurer.</p> <p>We recommend all purchases be properly authorized and those exceeding the purchase order amount by less than \$1,000 be certified under the then and now certificate to avoid spending funds that are not lawfully appropriated.</p> <p>In addition, we noted several hand-typed checks. These hand-typed checks were mis-coded into the system and did not appear on the check register reports along with the computer generated checks.</p> <p>We recommend the School District eliminate all hand-typed and handwritten checks and generate all checks through the computer system.</p>
97-11 Reportable Condition	<p><u>Pledged Collateral</u></p> <p>The School Treasurer must require all depositories to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds or pledged securities. These securities should be reported to the Treasurer no more than 4 times per year by the public depository. The securities pledged were not made available to us during our audit. The lack of any legal security could potentially jeopardize the funds on deposit by the School District.</p>

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

SCHEDULE OF FINDINGS
For the Fiscal Year Ended June 30, 1997

Finding Number	Finding Summary
97-12 Reportable Condition	<p><u>Separation of Duties</u></p> <p>The School District's Treasurers office staff is small, which makes it difficult to maintain a good system of internal controls. For example, the Treasurer's duties include preparing all checks, preparing receipts, handling cash, posting entries to the general ledger, approving vouchers, signing checks, reconciling bank statements, controlling blank checks, receipting in goods, and preparing financial statements. The Treasurer does not always perform all these duties, as some may be done by an assistant. However, he/she does have the ability and access to each function.</p> <p>To improve controls, we recommend that some duties be separated within the existing staff, such as bank reconciliations, preparing deposits, and posting to the general ledger. Some functions could be reviewed and documented by others. These may include reconciliation of daily cash, monthly bank reconciliations, financial statements, and voucher preparation.</p> <p>We would recommend that each person in the Treasurer's and Superintendent's office have a written job description which includes a focus on internal controls.</p>
97-13 Reportable Condition	<p><u>Cash Receipts</u></p> <p>In reviewing the internal control system for cash receipts, we noted various weaknesses which included the following: the Treasurer's office posts the cash receipts at the end of each month. In matching receipts to deposit tickets, no cross-referencing is performed. It is difficult to determine which deposits cover which receipts. In addition, the Treasurer handles cash, writes receipts, posts receipts to the general ledger, takes deposits to the bank, as well as reconciles the bank accounts.</p> <p>We recommend that the receipts process be refined in order to segregate some of the duties to help strengthen controls.</p>

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

SCHEDULE OF FINDINGS
For the Fiscal Year Ended June 30, 1997

Finding Number	Finding Summary
97-14 Reportable Condition	<p><u>Payroll Items</u></p> <p><u>Form I-9's</u> A Form I-9 is required to be completed for any employee hired after November 6, 1986. This form is used to verify employee eligibility and requires two sources of identification from the provided list, as well as the signature and other miscellaneous data by the person verifying the employee's identification. We found that most of the required Form I-9's were incomplete or not in the personnel files.</p> <p>We recommend that all Form I-9's be properly completed in order to avoid possible fines and penalties by the Federal Government.</p>

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 1997

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected: Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
96-001	Separation of Duties	No	Condition still exists – see finding 97-12
96-002	Cash Disbursements/P.O.'s	No	Condition still exists – see finding 97-10
96-003	Cash Receipts	No	Condition still exists – see finding 97-13
96-004	Payroll Items	No	Condition still exists – see finding 97-14
96-005	High School Uniform School Supplies	Substantially Corrected	See Management Letter Comment
96-006	Student Activities	No	See Management Letter Comment



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 16, 2001**