



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, Ohio (the District), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, Ohio, as of June 30, 2017, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Other Matters**

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 26, 2018

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

The management's discussion and analysis of the Upper Scioto Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2017, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- The total net cash position of the District decreased \$77,601 or 1.41% from fiscal year 2016. This decrease was the result of increased spending in almost all categories of disbursements.
- General cash receipts accounted for \$7,607,666 or 85.21% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,320,892 or 14.79% of total governmental activities cash receipts.
- The District had \$9,006,159 in cash disbursements related to governmental activities; \$1,320,892 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily grants and entitlements not restricted to specific programs) of \$7,607,666 were not adequate to provide for these programs.
- The District's major funds are the general fund and permanent improvement capital projects fund. The general fund, the District's largest major fund, had cash receipts of \$7,627,967 in 2017. The cash disbursements and other financing uses of the general fund, totaled \$6,900,000 in 2017. The general fund's cash balance increased \$727,967 or 21.52% from 2016 to 2017.
- The permanent improvement capital projects fund, a District major fund, had cash receipts and other financing sources of \$408,021 in 2017. The permanent improvement capital projects fund had cash disbursements of \$1,292,860 in 2017. The permanent improvement capital projects fund cash balance decreased \$884,839 from 2016 to 2017.

**Using this Basic Financial Statements (BFS)**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)  
(Continued)**

**Reporting the District as a Whole**

***Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis***

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2017?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

In the statement of net position - cash basis and statement of activities - cash basis, the governmental activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net position - cash basis and statement of activities - cash basis can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement capital projects fund. The analysis of the District's major governmental funds begins on page 9.

***Governmental Funds***

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)  
(Continued)**

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

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

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund. The basic fiduciary fund financial statements can be found on pages 18-19 of this report.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-46 of this report.

**Government-Wide Financial Analysis**

Recall that the statement of net position - cash basis provides the perspective of the District as a whole. The table below provides a summary of the District's net cash position at June 30, 2017 and June 30, 2016.

	<b>Net Cash Position</b>	
	<b>Governmental Activities 2017</b>	<b>Governmental Activities 2016</b>
<b>Assets</b>		
Equity in pooled cash and cash equivalents	\$5,424,453	\$5,502,054
Total assets	5,424,453	5,502,054
<b>Net Cash Position</b>		
Restricted	644,462	652,233
Unrestricted	4,779,991	4,849,821
Total net cash position	\$5,424,453	\$5,502,054

The total net cash position of the District decreased \$77,601 which represents a 1.41% decrease from fiscal year 2016.

The balance of government-wide unrestricted net cash position of \$4,779,991 may be used to meet the government's ongoing obligations to citizens and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)  
(Continued)**

The table below shows the changes in net cash position for fiscal year 2017 and 2016.

	<b>Change in Net Cash Position</b>	
	<b>Governmental Activities 2017</b>	<b>Governmental Activities 2016</b>
<b>Cash Receipts:</b>		
Program cash receipts:		
Charges for services and sales	\$372,452	\$377,638
Operating grants and contributions	941,634	900,930
Capital grants and contributions	6,806	6,806
Total program cash receipts	<u>1,320,892</u>	<u>1,285,374</u>
<b>General cash receipts:</b>		
Property taxes	2,443,316	2,402,105
Income taxes	380,732	364,385
Unrestricted grants and entitlements	4,509,100	4,528,465
Investment earnings	258,899	219,345
Other	15,619	10,266
Total general cash receipts	<u>7,607,666</u>	<u>7,524,566</u>
Total cash receipts	<u>8,928,558</u>	<u>8,809,940</u>
<b>Cash Disbursements:</b>		
<b>Instruction:</b>		
Regular	3,544,631	3,253,862
Special	829,632	660,608
Vocational	29,593	26,681
<b>Support services:</b>		
Pupil	410,459	355,090
Instructional staff	170,850	198,954
Board of education	23,982	12,203
Administration	575,810	445,054
Fiscal	295,254	258,703
Business	4,329	6,114
Operations and maintenance	667,030	619,411
Pupil transportation	455,367	299,193
Central	34,978	30,239
Operation of non-instructional services:		
Food service operations	274,634	283,183
Other non-instructional services	13,552	27,681
Extracurricular	189,447	209,137
Facilities acquisition and construction	1,281,063	258,748
<b>Debt service:</b>		
Principal retirement	160,000	54,999
Interest and fiscal charges	45,548	148,365
Total cash disbursements	<u>9,006,159</u>	<u>7,148,225</u>
Change in net cash position	(77,601)	1,661,715
Net cash position at beginning of year	<u>5,502,054</u>	<u>3,840,339</u>
Net cash position at end of year	<u>\$5,424,453</u>	<u>\$5,502,054</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)  
(Continued)**

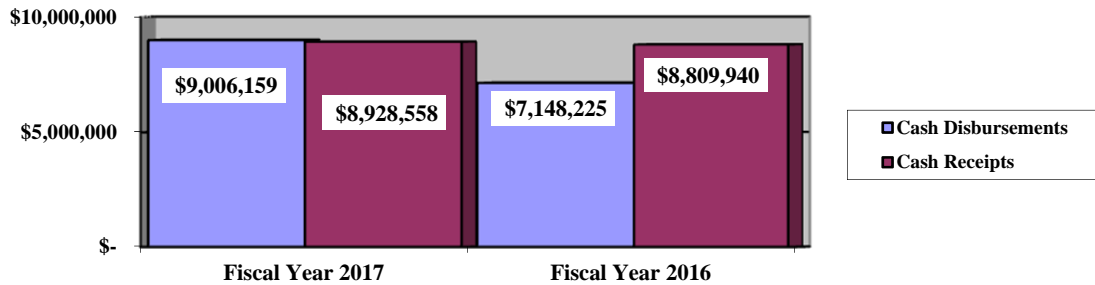
**Governmental Activities**

Governmental cash position decreased by \$77,601 in fiscal year 2017 from fiscal year 2016. Total governmental disbursements of \$9,006,159 were partially offset by program receipts of \$1,320,892 and general receipts of \$7,607,666. Program receipts supported 14.67% of the total governmental disbursements. The largest governmental disbursements were instructional expenditures which totaled \$4,403,856 or 48.90% of total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 82.13% of total governmental receipts. Real estate property is reappraised every six years.

The graph below shows the District governmental activities cash receipts and cash disbursements for fiscal years 2017 and 2016.

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



The table below shows the total cost of services and the net cost of services (e.g. the cost of those services supported by general revenues of the District) for fiscal years 2017 and 2016:

	<b>Governmental Activities</b>			
	<b>Total Cost of Services 2017</b>	<b>Net Cost of Services 2017</b>	<b>Total Cost of Services 2016</b>	<b>Net Cost of Services 2016</b>
<b>Cash disbursements:</b>				
<b>Instruction:</b>				
Regular	\$3,544,631	\$3,111,183	\$3,253,862	\$2,835,000
Special	829,632	435,270	660,608	279,303
Vocational	29,593	25,770	26,681	21,200
<b>Support services:</b>				
Pupil	410,459	388,308	355,090	343,981
Instructional staff	170,850	149,350	198,954	177,738
Board of education	23,982	23,982	12,203	12,203
Administration	575,810	574,100	445,054	443,501
Fiscal	295,254	295,254	258,703	258,703
Business	4,329	4,329	6,114	6,114
Operations and maintenance	667,030	614,455	619,411	563,919
Pupil transportation	455,367	437,753	299,193	283,276
Central	34,978	29,578	30,239	24,839

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

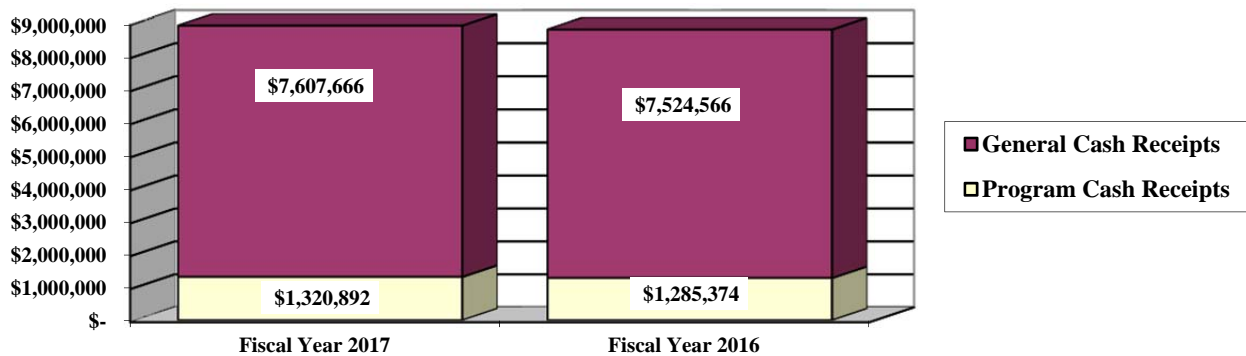
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)  
(Continued)**

	<b>Governmental Activities</b>			
	<b>Total Cost of Services 2017</b>	<b>Net Cost of Services 2017</b>	<b>Total Cost of Services 2016</b>	<b>Net Cost of Services 2016</b>
<b>Operation of non-instructional services:</b>				
Food service operations	274,634	(18,367)	283,183	(16,483)
Operation of non-instruction	13,552	4,998	27,681	13,144
Extracurricular	189,447	122,693	209,137	154,301
Facilities acquisition and construction	1,281,063	1,281,063	258,748	258,748
<b>Debt service:</b>				
Principal retirement	160,000	160,000	54,999	54,999
Interest and fiscal charges	45,548	45,548	148,365	148,365
<b>Total</b>	<b>\$9,006,159</b>	<b>\$7,685,267</b>	<b>\$7,148,225</b>	<b>\$5,862,851</b>

The dependence upon general cash receipts for governmental activities is apparent; with 85.33% of cash disbursements supported through taxes and other general cash receipts during 2017.

The graph below shows the District's governmental activities general receipts and program receipts for fiscal years 2017 and 2016.

**Governmental Activities - General and Program Cash Receipts**



**Financial Analysis of the Government's Funds**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)  
(Continued)**

**Governmental Funds**

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

The District's governmental funds reported a combined fund cash balance of \$ 5,424,453 which is \$77,601 less than last year's total of \$5,502,054. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2017 and June 30, 2016.

	<b>Fund Cash Balance June 30, 2017</b>	<b>Fund Cash Balance June 30, 2016</b>	<b>Change</b>
General	\$4,111,384	\$3,383,417	\$727,967
Permanent improvement	674,583	1,559,422	(884,839)
Other non-major governmental funds	638,486	559,215	79,271
Total	<u>\$5,424,453</u>	<u>\$5,502,054</u>	<u>(\$77,601)</u>

**General Fund**

The general fund, the District's largest major fund, had cash receipts of \$7,627,967 in fiscal year 2017. The cash disbursements and other financing uses of the general fund, totaled \$6,900,000 in fiscal year 2017. The general fund's cash balance increased \$727,967 or 21.52% from fiscal year 2016 to fiscal year 2017.

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

	<b>2017 Amount</b>	<b>2016 Amount</b>	<b>Percentage Change</b>
<b>Cash Receipts:</b>			
Property taxes	\$2,228,866	\$2,190,260	1.76 %
Income taxes	380,732	364,385	4.49 %
Tuition	158,456	160,622	(1.35) %
Earnings on investments	54,196	16,982	219.14 %
Miscellaneous	75,082	66,744	12.49 %
Intergovernmental	4,730,635	4,754,865	(0.51) %
Total	<u>\$7,627,967</u>	<u>\$7,553,858</u>	0.98 %

The District's property taxes increased due to an increase in assessed values on which calendar year 2017 property tax receipts were based, affecting the second half of the District's fiscal year. Investment earnings increased \$37,214 due to an increase in interest rates earned on investments. Miscellaneous receipts for the District increased 12.49% from fiscal year 2016. All other cash receipts remained comparable to fiscal year 2016.

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

	<b>2017 Amount</b>	<b>2016 Amount</b>	<b>Percentage Change</b>
<b>Cash Disbursements</b>			
Instruction	\$4,000,648	\$3,572,101	12.00 %
Support services	2,353,697	2,112,310	11.43 %
Operation of non-instruction	4,824	12,079	(60.06) %
Extracurricular	145,955	153,835	(5.12) %
Facilities acquisition and construction	194,876	235,568	(17.27) %
Total	<u>\$6,700,000</u>	<u>\$6,085,893</u>	10.09 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)  
(Continued)**

Instruction disbursements increased 12.00% due to an increase in regular and special instruction related disbursements. Support services increased 11.43% due to an increase in pupil, administrative and operations and maintenance disbursements. Facilities acquisition and construction decreased due to a decrease in improvements and maintenance throughout the district during fiscal year 2017. All other cash disbursements remained comparable to fiscal year 2016.

***Permanent Improvement Fund***

The permanent improvement capital projects fund, a District major fund, had cash receipts and other financing sources of \$408,021 in fiscal year 2017. The permanent improvement capital projects fund had cash disbursements of \$1,292,860 in fiscal year 2017. The permanent improvement capital projects fund cash balance decreased \$884,839 from fiscal year 2016 to fiscal year 2017.

***Budgeting Highlights - General Fund***

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

For the general fund, original budget basis receipts were \$7,650,808 and final budget basis receipts were \$7,584,230. Actual cash receipts of \$7,621,591 were more than final budget estimates by \$37,361. The original budgetary basis disbursements and other financing uses were \$6,958,896 and final budgetary basis disbursements and other financing uses were \$7,189,366. The actual budgetary basis disbursements and other financing uses of \$6,919,845 were \$269,521 less than the final budget estimates.

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had \$1,281,063 in facilities acquisition and construction disbursements during fiscal year 2017.

***Debt Administration***

The District had the following long-term obligations outstanding at June 30, 2017 and 2016.

	<b>Governmental Activities 2017</b>	<b>Governmental Activities 2016</b>
General obligation bonds	\$1,135,000	\$1,255,000
Energy conservation notes	330,000	370,000
Total long-term obligations	\$1,465,000	\$1,625,000

**Current Financial Related Activities**

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)  
(Continued)**

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stacy Gratz, Treasurer, Upper Scioto Valley Local School District, P.O. Box 305, McGuffey, OH 45859.

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UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2017

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$5,424,453
Total assets	<u>5,424,453</u>
<b>Net cash position:</b>	
<b>Restricted for:</b>	
Classroom facilities maintenance	183,819
Debt service	366,649
Locally funded programs	1,903
State funded programs	2,784
District managed student activities	35,975
Other purposes	53,332
Unrestricted	4,779,991
Total cash net position	<u><u>\$5,424,453</u></u>

*See accompanying notes to the basic financial statements.*

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Disbursements	Program Receipts			Net (Disbursements)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Receipts and Changes in Net Position
					Governmental Activities
<b>Governmental activities:</b>					
<b>Instruction:</b>					
Regular	\$3,544,631	\$190,306	\$243,142		(\$3,111,183)
Special	829,632		394,362		(435,270)
Vocational	29,593		3,823		(25,770)
<b>Support services:</b>					
Pupil	410,459		22,151		(388,308)
Instructional staff	170,850		21,500		(149,350)
Board of education	23,982				(23,982)
Administration	575,810		1,710		(574,100)
Fiscal	295,254				(295,254)
Business	4,329				(4,329)
Operations and maintenance	667,030	15,000	30,769	\$6,806	(614,455)
Pupil transportation	455,367	6,684	10,930		(437,753)
Central	34,978		5,400		(29,578)
<b>Operation of non-instructional services:</b>					
Other non-instructional services	13,552	755	7,799		(4,998)
Food service operations	274,634	104,274	188,727		18,367
Extracurricular activities	189,447	55,433	11,321		(122,693)
Facilities acquisition and construction	1,281,063				(1,281,063)
<b>Debt Service</b>					
Principal retirement	160,000				(160,000)
Interest and fiscal charges	45,548				(45,548)
Total governmental activities	<u>\$9,006,159</u>	<u>\$372,452</u>	<u>\$941,634</u>	<u>\$6,806</u>	<u>(7,685,267)</u>

**General receipts:**

**Property taxes levied for:**

General purposes	2,228,866
Classroom maintenance	25,023
Debt service	189,427
Income taxes levied for general purposes:	380,732
Grants and entitlements not restricted to specific programs	4,509,100
Investment earnings	258,899
Miscellaneous	15,619
Total general receipts	<u>7,607,666</u>

Change in net cash position (77,601)

Net cash position at beginning of year 5,502,054

Net cash position at end of year \$5,424,453

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$4,111,384	\$674,583	\$638,486	\$5,424,453
Total assets	<u>4,111,384</u>	<u>674,583</u>	<u>638,486</u>	<u>5,424,453</u>
<b>Cash fund balances:</b>				
<b>Restricted:</b>				
Debt service			366,649	366,649
Classroom facilities maintenance			183,819	183,819
Food service operations			53,152	53,152
Other purposes			4,867	4,867
Extracurricular activities			35,975	35,975
<b>Committed:</b>				
Capital improvements		674,583		674,583
Termination benefits	70,600			70,600
<b>Assigned:</b>				
Student instruction	1,000			1,000
Student and staff support	11,108			11,108
Facilities acquisition and construction	3,693			3,693
Unassigned (deficit)	4,024,983		(5,976)	4,019,007
Total cash fund balances	<u>\$4,111,384</u>	<u>\$674,583</u>	<u>\$638,486</u>	<u>\$5,424,453</u>

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General	Permanent Improvement	Non-major Governmental Funds	Total Governmental Funds
<b>Cash Receipts:</b>				
Property taxes	\$2,228,866		\$214,450	\$2,443,316
Income taxes	380,732			380,732
Tuition	158,456			158,456
Transportation fees	6,684			6,684
Earnings on investments	54,196	\$201,215	3,915	259,326
Charges for services			104,274	104,274
Extracurricular	5,169		50,259	55,428
Classroom materials and fees	31,850			31,850
Rental income	15,000			15,000
Contributions and donations	855		2,404	3,259
Other local revenues	15,524		9,229	24,753
Intergovernmental - intermediate			4,999	4,999
Intergovernmental - state	4,665,798		61,332	4,727,130
Intergovernmental - federal	64,837	6,806	641,708	713,351
Total cash receipts	<u>7,627,967</u>	<u>208,021</u>	<u>1,092,570</u>	<u>8,928,558</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,299,450		245,181	3,544,631
Special	671,605		158,027	829,632
Vocational	29,593			29,593
<b>Support services:</b>				
Pupil	385,671		24,788	410,459
Instructional staff	149,350		21,500	170,850
Board of education	23,982			23,982
Administration	567,578	6,500	1,732	575,810
Fiscal	266,992	24,739	3,523	295,254
Business	4,329			4,329
Operations and maintenance	637,934	29,096		667,030
Pupil transportation	288,283	159,590	7,494	455,367
Central	29,578		5,400	34,978
<b>Operation of non-instructional services:</b>				
Other operation of non-instructional	4,824		8,728	13,552
Food service operations			274,634	274,634
Extracurricular activities	145,955		43,492	189,447
Facilities acquisition and construction	194,876	1,072,935	13,252	1,281,063
<b>Debt service:</b>				
Principal retirement			160,000	160,000
Interest and fiscal charges			45,548	45,548
Total cash disbursements	<u>6,700,000</u>	<u>1,292,860</u>	<u>1,013,299</u>	<u>9,006,159</u>
Excess of Receipts Over (Under) Disbursements	<u>927,967</u>	<u>(1,084,839)</u>	<u>79,271</u>	<u>(77,601)</u>
<b>Other financing sources (uses):</b>				
Transfers in		200,000		200,000
Transfers (out)	(200,000)			(200,000)
Total other financing sources (uses)	<u>(200,000)</u>	<u>200,000</u>		
Net change in cash fund balances	727,967	(884,839)	79,271	(77,601)
Cash fund balances at beginning of year	3,383,417	1,559,422	559,215	5,502,054
Cash fund balances at end of year	<u>\$4,111,384</u>	<u>\$674,583</u>	<u>\$638,486</u>	<u>\$5,424,453</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
<b>From local sources:</b>				
Property taxes	\$2,303,274	\$2,286,621	\$2,228,866	(\$57,755)
Income taxes	369,851	369,851	380,732	10,881
Tuition	163,359	163,359	158,456	(4,903)
Transportation fees			6,684	6,684
Earnings on investments	20,459	23,411	53,749	30,338
Classroom materials and fees	32,237	32,237	31,850	(387)
Rental income	15,000	15,000	15,000	
Contributions and donations			100	100
Other local revenues	3,500	3,500	15,519	12,019
Intergovernmental - state	4,703,128	4,650,251	4,665,798	15,547
Intergovernmental - federal	40,000	40,000	64,837	24,837
<b>Total receipts</b>	<u>7,650,808</u>	<u>7,584,230</u>	<u>7,621,591</u>	<u>37,361</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,970,209	4,987,211	3,130,573	1,856,638
Special	449,985	412,100	671,605	(259,505)
Vocational	23,201	19,086	29,593	(10,507)
Other	230,343	169,000	169,877	(877)
<b>Support services:</b>				
Pupil	423,487	286,952	385,671	(98,719)
Instructional staff	138,079	85,679	148,987	(63,308)
Board of education	22,771	23,991	23,982	9
Administration	77,618	73,555	568,373	(494,818)
Fiscal	181,715	132,877	272,862	(139,985)
Business	8,405	5,259	4,329	930
Operations and maintenance	642,452	442,859	640,310	(197,451)
Pupil transportation	164,944	114,821	289,133	(174,312)
Central	26,867	18,695	29,578	(10,883)
<b>Operation of non-instructional services:</b>				
Other Operation of non-instructional services			4,324	(4,324)
Extracurricular activities	36,607	6,996	142,079	(135,083)
Facilities acquisition and construction	264,528	200,285	198,569	1,716
<b>Total disbursements</b>	<u>6,661,211</u>	<u>6,979,366</u>	<u>6,709,845</u>	<u>269,521</u>
<b>Excess of receipts over disbursements</b>	<u>989,597</u>	<u>604,864</u>	<u>911,746</u>	<u>306,882</u>
<b>Other financing sources (uses):</b>				
Transfers (out)	(297,685)	(210,000)	(210,000)	
<b>Total other financing (uses)</b>	<u>(297,685)</u>	<u>(210,000)</u>	<u>(210,000)</u>	
<b>Net change in fund balance</b>	691,912	394,864	701,746	306,882
Fund balance at beginning of year	3,052,752	3,052,752	3,052,752	
Prior year encumbrances appropriated	265,063	265,063	265,063	
<b>Fund balance at end of year</b>	<u>\$4,009,727</u>	<u>\$3,712,679</u>	<u>\$4,019,561</u>	<u>\$306,882</u>

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2017

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$24,798	\$28,380
<b>Net cash position:</b>		
Held in trust for scholarships	24,798	
Held for student activities		28,380
Total net cash position	\$24,798	\$28,380

*See accompanying notes to the basic financial statements*

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private Purpose Trust
	Scholarship
<b>Additions:</b>	
Gifts and contributions	\$20,606
Total additions	20,606
<b>Deductions:</b>	
Scholarships awarded	4,020
Change in net position	16,586
Net cash position at beginning of year	\$8,212
Net cash position at end of year	\$24,798

*See accompanying notes to the basic financial statements.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1929 through the consolidation of existing land areas and school districts. The District serves an area of approximately ninety-five square miles. It is located in Auglaize, Hardin, and Logan Counties, and includes all of the Villages of Alger and McGuffey, all of Marion and Roundhead Townships, and portions of Cessna, Lynn and McDonald Townships in Hardin County. It is staffed by 22 classified employees, 43 certified teaching personnel, and 7 administrative employees who provide services to 627 students and other community members. The District currently operates one instructional building, one administration building and one garage.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**1. Jointly Governed Organizations**

**Ohio Hi-Point Career Center**

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

**Western Ohio Computer Organization**

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2017, the District paid \$83,394 to WOCO for various services. Financial information can be obtained from WOCO, 129 East Court Street, Sidney, Ohio 45365.

**Hardin County Schools Consortium Local Professional Development Committee**

The Hardin County Schools Consortium Local Professional Development Committee (LPDC) was established to plan, promote and facilitate effective and efficient professional educator license renewal standards and staff development activities. The LPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The LPDC is governed by a fifteen member Executive Board. Financial information can be obtained from Keith Thomas, Midwest Regional Educational Service Center, 121 South Opera Street, Bellefontaine, OH 43311.

**2. Insurance Purchasing Pools**

**Sheakley Worker's Compensation Group Rating Plan**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**3. Related Organization**

**Alger Public Library**

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

**B. Basis of Accounting**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting**

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

**1. Governmental Funds**

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

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

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

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

**2. Fiduciary Funds**

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

**D. Basis of Presentation**

**1. Government-wide Financial Statements**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**2. Fund Financial Statements**

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

**E. Budgets**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash and Cash Equivalents**

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$54,196, which includes \$16,266 assigned from other funds.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. At June 30, 2017, the District had no investments.

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

**G. Capital Assets**

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

**H. Compensated Absences**

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

**I. Long-Term Obligations**

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

**J. Fund Cash Balance**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The classifications are as follows:

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

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

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

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

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

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

**K. Net Cash Position**

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net cash position restricted for other purposes include resources restricted for food service operations and Rockwell Trust fund receipts.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Interfund Activity**

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

**M. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

**N. Pensions**

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

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The District did not have any material tax abatements to disclose.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

**B. Compliance**

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

**C. Deficit Cash Balances**

The District had the following deficit cash balances at June 30, 2017:

<u>Non-major governmental funds:</u>	<u>Deficit</u>
Title I - disadvantaged children	\$2,287
Miscellaneous federal grants	3,689

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

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

**A. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all District deposits was \$5,477,631. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$110,850 of the District's bank balance of \$5,600,163 was exposed to custodial risk as discussed below, while \$5,489,313 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2017, the District had no investments.

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

The following is a reconciliation of cash and investments as reported in the note above to cash as reported on the statement of net position as of June 30, 2017:

<b>Cash and investments per note:</b>	
Carrying amount of deposits	<u>\$5,477,631</u>
 <b>Cash and investments per statement of net cash position:</b>	
Governmental activities	\$5,424,453
Private - purpose trust funds	24,798
Agency fund	<u>28,380</u>
Total	<u>\$5,477,631</u>

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**5. INTERFUND TRANSACTIONS**

Interfund transfers for the fiscal year ended June 30, 2017 consisted of the following, as reported on the fund financial statements:

<b>Transfer to the permanent improvement fund from:</b>	<b>Amount</b>
General fund	\$200,000

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

**6. BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The budgetary comparison schedule presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than as committed or assigned fund balance (cash).

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

**Net Change in Fund Balance**

	<b>General fund</b>
Budget basis	\$701,746
Funds budgeted elsewhere **	10,420
Adjustment for encumbrances	15,801
Cash basis	\$727,967

\*\* As part of Governmental Accounting Standards Board No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust, uniform school supplies, public school support, District agency and termination benefits funds.

**7. PROPERTY TAXES**

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Hardin, Auglaize and Logan Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	<b>2016 Second Half Collections</b>		<b>2017 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential and other real estate	\$107,662,850	93.47	\$107,452,050	93.33
Industrial/commercial	2,175,320	1.89	2,186,890	1.90
Public utility personal	5,346,560	4.64	5,495,410	4.77
<b>Total</b>	<b>\$115,184,730</b>	<b>100.00</b>	<b>\$115,134,350</b>	<b>100.00</b>
Tax rate per \$1,000 of assessed valuation	\$30.70		\$30.70	

**8. INCOME TAXES**

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**9. LONG-TERM OBLIGATIONS**

A. During the fiscal year 2017, the following activity occurred in governmental activities long-term obligations.

	<u>Interest Rate</u>	<u>Balance 06/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/17</u>	<u>Amount Due in One Year</u>
<b>Governmental Activities:</b>						
<b>General Obligation Bonds:</b>						
Refunding bonds	1.00-2.80%	\$1,255,000		(\$120,000)	\$1,135,000	\$120,000
Total general obligation bonds payable		1,255,000		(120,000)	1,135,000	120,000
<b>Other Long-Term Obligations</b>						
Energy conservation note	5.125%	370,000		(40,000)	330,000	40,000
Total other long-term obligations		370,000		(40,000)	330,000	40,000
Total governmental activities		<u>\$1,625,000</u>	<u>\$0</u>	<u>(\$160,000)</u>	<u>\$1,465,000</u>	<u>\$160,000</u>

B. During fiscal year 2012, the District refunded the callable portion (\$1,565,000) of the current interest bonds. None of the capital appreciation bonds were refunded.

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

This refunding issue is comprised of both current interest bonds and capital appreciation bonds, in the amount of \$1,545,000 and \$19,999, respectively. The interest rate on the current interest bonds ranges from 1.00% to 2.80%. The current interest bonds mature on December 1, 2025 and will be retired through the bond retirement fund. The capital appreciation bonds matured on December 1, 2015 (interest rate yield 56.121%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity the capital appreciation bonds is \$120,000 with \$100,001 representing interest that accretes over the term of the bonds. At June 30, 2017, there were no capital appreciation bonds outstanding.

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**9. LONG-TERM OBLIGATIONS (Continued)**

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

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

<b>Fiscal Year Ending June 30,</b>	<b>Current Interest Term and Serial General Obligation bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$120,000	\$25,510
2019	125,000	23,123
2020	130,000	20,700
2021	125,000	18,027
2022	130,000	15,095
2023 - 2026	505,000	26,130
Total	\$1,135,000	\$128,585

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

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

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$40,000	\$15,887	\$55,887
2019	45,000	13,709	58,709
2020	45,000	11,403	56,403
2021	45,000	9,097	54,097
2022	50,000	6,663	56,663
2023 - 2024	105,000	5,509	110,509
Total	\$330,000	\$62,268	\$392,268

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$9,593,741 (including available funds of \$366,649) and an un-voted debt margin of \$115,134.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**10. RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2017, the District contracted for the following insurance coverage:

Description	Amount
Building and Contents – replacement cost	\$31,230,701
Automotive Liability	1,000,000
Commercial Umbrella	3,000,000
<b>General Liability:</b>	
Per occurrence	1,000,000
Aggregate	2,000,000

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

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

The District participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust"), a public entity shared risk pool consisting of six local school districts, Triad Local School District, and the Ada Public Library (See Note 2.A.). Each participating member pays premiums to the Trust for employee medical, dental, life and vision coverage. The Trust is responsible for the management and operation of the program. Upon withdrawal, the District is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

**C. Workers' Compensation**

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

**11. PENSION PLANS**

**A. Net Pension Liability**

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

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



**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**11. PENSION PLANS (Continued)**

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**11. PENSION PLANS (Continued)**

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$116,320 for fiscal year 2017.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

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

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**11. PENSION PLANS (Continued)**

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$312,982 for fiscal year 2017.

**D. Net Pension Liability**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<b>SERS</b>	<b>STRS Ohio</b>	<b>Total</b>
Proportion of the net pension liability prior measurement date	0.02621500%	0.01916400%	
Proportion of the net pension liability current measurement date	<u>0.02675880%</u>	<u>0.01998989%</u>	
Change in proportionate share	<u>0.00054380%</u>	<u>0.00082589%</u>	
Proportionate share of the net pension liability	\$1,958,497	\$6,691,219	\$8,649,716

**E. Actuarial Assumptions - SERS**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**11. PENSION PLANS (Continued)**

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**11. PENSION PLANS (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$2,592,928	\$1,958,497	\$1,427,452

**F. Actuarial Assumptions - STRS Ohio**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**11. PENSION PLANS (Continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**11. PENSION PLANS (Continued)**

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
District's proportionate share of the net pension liability	\$8,892,086	\$6,691,219	\$4,834,657

**Changes Between Measurement Date and Report Date** - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**12. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care (surcharge only) for the fiscal years ended June 30, 2017, 2016, and 2015 were \$12,467, \$12,561, and \$18,242, respectively. 100 percent has been contributed for fiscal years 2017, 2016 and 2015.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**12. POST-EMPLOYMENT BENEFITS (Continued)**

**B. State Teachers Retirement System of Ohio**

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Employee Insurance Benefits**

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

**14. CONTINGENCIES**

**A. Grants**

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**14. CONTINGENCIES (Continued)**

**B. School Foundation**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District. As a result of these FTE reviews performed in fiscal year 2018, the District received an additional \$13,808 in fiscal year 2018 from ODE. This amount has not been included in the financial statements.

**C. Litigation**

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

**15. SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	
Current year set-aside requirement	\$89,769
Current year qualifying expenditures	(33,782)
Current year offsets	(55,987)
Prior year offset from bond proceeds	0
Total	0
Balance carried forward to fiscal year 2018	0
Set-aside balance June 30, 2017	\$0

During prior fiscal years, the District issued a total of \$2,336,189 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$2,298,684 at June 30, 2017.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**16. DONOR RESTRICTED ENDOWMENTS**

The District's private purpose trust fund includes donor restricted endowments. The amount of net appreciation in donor restricted investments that is available for disbursements by the District is \$24,798 and is included as held in trust for scholarships at June 30, 2017. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the monies should be used to provide a scholarship each year.

**17. OTHER COMMITMENTS**

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

<b>Fund Type</b>	<b>Year-End Encumbrances</b>
General	\$15,801
Permanent improvement	100,605
Other governmental	60,351
Total	<u>\$176,757</u>



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, Ohio (the District) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 26, 2018, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2017-001.

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

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 26, 2018

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
HARDIN COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2017

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

FINDING NUMBER 2017-001

**Noncompliance Citation**

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

**Ohio Admin. Code § 117-2-03(B)** requires all school districts to file annual financial reports which are prepared using generally accepted accounting principles. The District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the District should prepare its financial statements in accordance with generally accepted accounting principles.

**OFFICIALS' RESPONSE:**

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



# Upper Scioto Valley Local Schools

510 S. Courtright Street, PO Box 305 • McGuffey, Ohio 45859 • Telephone (419)757-3231 • Fax (419)757-0135

**Miklos Kis, Superintendent**

[www.usv.k12.oh.us](http://www.usv.k12.oh.us)

**Stacy Gratz,**

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	<p><b>Ohio Rev. Code § 117.38</b> and <b>Ohio Admin. Code § 117-2-03(B)</b> – Failed to file annual financial reports using generally accepted accounting principles.</p> <p>First reported in fiscal year 2004.</p>	Not Corrected	<p>The District acknowledges this requirement but will continue to report on the cash basis in order to save resources for the District.</p> <p>Will be repeated as 2017-001.</p>



# Dave Yost • Auditor of State

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT

HARDIN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 12, 2018