



**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY
REGULAR AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**



**Auditor of State
Betty Montgomery**

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

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, (the "School District"), as of and for the fiscal year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2005, and the respective changes in the modified cash financial position and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2006, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

January 6, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

The discussion and analysis of Upper Scioto Valley Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005, within the limitations of modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2005 are as follows:

- In total, net assets increased \$288,553, or 18 percent, a significant change from the prior fiscal year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which had a 4.4 percent increase in revenues and a 6.7 percent decrease in expenditures from the prior year.
- The School District's general receipts, those being primarily property taxes and unrestricted state entitlements, were 84 percent of the total cash received during the fiscal year. Dependence on these two revenue sources is significant.

Using the Basic Financial Statements

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

The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's modified cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For Upper Scioto Valley Local School District, the General, Bond Retirement, Permanent Improvement, and Classroom Facilities Funds are the most significant funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, food services, extracurricular activities, and capital outlay disbursements.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General, Bond Retirement, Permanent Improvement, and Classroom Facilities Funds.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the modified cash basis accounting. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2005 and fiscal year 2004:

**Table 1
Net Assets**

	Governmental Activities	
	2005	2004
Assets:		
Cash and Cash Equivalents	\$1,850,301	\$1,561,748
Net Assets:		
Restricted	1,064,011	1,328,151
Unrestricted	786,290	233,597
Total Net Assets	\$1,850,301	\$1,561,748

As mentioned previously, total net assets increased \$288,553, or 18 percent. The primary reasons contributing to the increase in cash balances are as follows:

- The School District took steps in 2004 to curb General Fund costs. One of the significant areas was a reduction in both certified and classified staff. This affected salaries and benefits.
- The School District also completed the outdoor facilities which saved costs for maintenance.
- During fiscal year 2004, the School District made a balloon payment on four school buses. This resulted in a reduction of Capital Outlay for fiscal year 2005.

Table 2 reflects the changes in net assets for fiscal year 2005 and fiscal year 2004.

**Table 2
Change in Net Assets**

	Governmental Activities	
	2005	2004
Receipts:		
Program Receipts		
Charges for Services	\$236,055	\$255,760
Operating Grants and Contributions	903,551	816,373
Capital Grants and Contributions	8,611	32,206
Total Program Receipts	1,148,217	1,104,339
Property Taxes Levied for General Purposes	1,167,335	1,160,140
Property Taxes Levied for Classroom Maintenance	14,958	22,138
Property Taxes Levied for Debt Service	155,265	154,297
Income Taxes Levied for General Purposes	280,121	267,490
Grants and Entitlements	4,057,891	3,906,690
Interest	19,530	13,447
Rent	80,580	80,581
Miscellaneous	117,621	47,997
Total General Receipts	5,893,301	5,652,780
Total Receipts	7,041,518	6,757,119

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

	Governmental Activities	
	2005	2004
Disbursements:		
Instruction:		
Regular	2,869,704	2,985,297
Special	894,602	809,931
Vocational	218,379	229,105
Support Services:		
Pupils	127,196	123,217
Instructional Staff	239,093	267,559
Board of Education	49,196	56,796
Administration	590,993	597,566
Fiscal	230,088	226,790
Operation and Maintenance of Plant	524,361	641,790
Pupil Transportation	296,311	409,161
Central	65,953	94,055
Non-Instructional Services	223	282
Food Services	251,832	279,707
Extracurricular Activities	152,846	185,920
Capital Outlay	68,672	505,446
Debt Service:		
Principal Retirement	75,000	70,000
Interest and Fiscal Charges	98,516	100,170
Total Disbursements	<u>6,752,965</u>	<u>7,582,792</u>
Increase (Decrease) in Net Assets	<u>\$288,553</u>	<u>(\$825,673)</u>

Program receipts only represent 16 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, extracurricular activities, and food service sales. Program receipts were fairly comparable to the prior fiscal year.

As stated previously, general receipts represent 84 percent of the School District's total receipts, and of this amount, almost 69 percent is the result of unrestricted grants and entitlements, which primarily represents State foundation resources. Property and income taxes basically make up the balance of the School District's general receipts (27 percent). Other receipts, such as interest and rent are very insignificant and somewhat unpredictable revenue sources. General receipts were also quite comparable to the prior fiscal year.

The major program disbursements for governmental activities are for instruction, which accounts for 59 percent of all governmental disbursements. Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for approximately 10 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant expense, 8 percent. Therefore, approximately 77 percent of the School District's disbursements are related to the primary functions of providing facilities and delivering education. The School District reduced disbursements in fiscal year 2005 by almost 11 percent, largely due to the reduction of Capital Outlay disbursements from fiscal year 2004 when the School District made balloon payments for school buses.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction:				
Regular	\$2,869,704	\$2,985,297	\$2,608,713	\$2,719,855
Special	894,602	809,931	388,645	349,232
Vocational	218,379	229,105	158,721	174,469
Support Services:				
Pupils	127,196	123,217	127,196	123,217
Instructional Staff	239,093	267,559	239,093	267,559
Board of Education	49,196	56,796	49,196	56,796
Administration	590,993	597,566	590,993	597,566
Fiscal	230,088	226,790	230,088	226,790
Operation and Maintenance of Plant	524,361	641,790	522,666	641,790
Pupil Transportation	296,311	409,161	287,700	399,180
Central	65,953	94,055	51,224	83,055
Non-Instructional Services	223	282	223	282
Food Services	251,832	279,707	15,778	43,949
Extracurricular Activities	152,846	185,920	92,324	119,097
Capital Outlay	68,672	505,446	68,672	505,446
Debt Service:				
Principal Retirement	75,000	70,000	75,000	70,000
Interest and Fiscal Charges	98,516	100,170	98,516	100,170
Total Disbursements	\$6,752,965	\$7,582,792	\$5,604,748	\$6,478,453

The dependence upon tax receipts and unrestricted state entitlements is apparent as over 79 percent of instruction activities are supported through taxes and other general receipts. However, it should be noted that special instruction activities are largely provided for through program receipts, by over 56 percent. This is the result of operating grants and contributions restricted for special instruction purposes.

Over 93 percent of food services were covered by program receipts for fiscal year 2005. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. Almost 40 percent of extracurricular activities disbursements are covered by program receipts. This is primarily the result of music and athletic fees, ticket sales, and gate receipts.

A review of the above table demonstrates how comparable both the total cost of services and the net cost of services are between fiscal year 2005 and fiscal year 2004. The most significant change is related to capital outlay disbursements as previously explained.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the modified cash basis of accounting. Total governmental funds had receipts of \$7,041,518 and disbursements of \$6,752,965. Disbursements decreased almost \$830,000 from fiscal year 2004 and reflect the cuts made in staffing as well as the savings in the maintenance and transportation costs and reduction in capital outlay.

General Fund Budgeting Highlights

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

During fiscal year 2005, the School District amended its General Fund budget as needed. Final budgeted receipts, in the amount of \$6,040,050, were only slightly below original budgeted receipts, in the amount of \$6,069,559, a change of less than 1 percent. The change from final budgeted receipts to actual receipts received, \$3,956, was also not significant.

Final disbursements were budgeted at \$6,256,789 while actual disbursements were \$5,932,856. The School District was able to reduce spending for almost all programs resulting in the 5 percent reduction from budgeted amounts.

Actual General Fund receipts were more than disbursements by \$111,150. The Board of Education chose to make reductions in fiscal year 2005; however, these reductions did not eliminate the need for additional funds as the School District is asking for an additional 1 percent income tax on the November 2005 ballot.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$20,723,945 in capital assets for governmental activities. This represents a change of less than 1 percent from fiscal year 2004. The School District is reflecting capital assets at cost or estimated historical cost. Donated capital assets are reflected at their fair market value as of the date received. For further information regarding the School District's capital assets, refer to Note 7 to the basic financial statements.

Debt

At June 30, 2005, the School District's outstanding debt included general obligation bonds, in the amount of \$2,104,999, issued for improvements to buildings and structures and capital leases, and in the amount of \$686,992, for facilities and equipment. For further information regarding the School District's debt, refer to Note 13 to the basic financial statements.

Current Issues

The challenge for all school districts is to provide quality education with fewer monies available to spend. This is even truer for a rural district such as Upper Scioto Valley. We have very little industry to support the School District and must rely on local taxes and state support. Our five-year forecast predicts a deficit for fiscal year 2007; therefore, the Board of Education has placed a 1 percent income tax levy on the November 2005 ballot. If this levy does not pass, there will be additional cuts for fiscal year 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Bonnie Yale, Treasurer, Upper Scioto Valley Local School District, P.O. 305, 701 North Main Street, Alger, Ohio 45812.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,850,182
Cash and Cash Equivalents with Fiscal Agent	119
Total Assets	<u>1,850,301</u>
Net Assets	
Restricted for:	
Capital Projects	624,987
Debt Service	274,276
Other Purposes	164,748
Unrestricted	786,290
Total Net Assets	<u>\$1,850,301</u>

See Accompanying Notes to the Basic Financial Statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipt and Change In Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Current:					
Instruction:					
Regular	\$2,869,704	\$31,561	\$229,430	(\$2,608,713)	
Special	894,602		505,957	(388,645)	
Vocational	218,379		59,658	(158,721)	
Support Services:					
Pupils	127,196			(127,196)	
Instructional Staff	239,093			(239,093)	
Board of Education	49,196			(49,196)	
Administration	590,993			(590,993)	
Fiscal	230,088			(230,088)	
Operation and Maintenance of Plant	524,361		1,695	(522,666)	
Pupil Transportation	296,311			(287,700)	
Central	65,953		14,729	(51,224)	
Non-Instructional Services	223			(223)	
Food Services	251,832	149,909	86,145	(15,778)	
Extracurricular Activities	152,846	54,585	5,937	(92,324)	
Capital Outlay	68,672			(68,672)	
Debt Service:					
Principal Retirement	75,000			(75,000)	
Interest and Fiscal Charges	98,516			(98,516)	
<i>Total Governmental Activities</i>	<u>\$6,752,965</u>	<u>\$236,055</u>	<u>\$903,551</u>	<u>\$8,611</u>	<u>(5,604,748)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	1,167,335
Classroom Maintenance	14,958
Debt Service	155,265
Income Taxes Levied for General Purposes	280,121
Grants and Entitlements not Restricted to Specific Program:	4,057,891
Interest	19,530
Rent	80,580
Miscellaneous	117,621
Total General Receipts	<u>5,893,301</u>
Change in Net Assets	288,553
Net Assets at Beginning of Year	<u>1,561,748</u>
Net Assets at End of Year	<u>\$1,850,301</u>

See Accompanying Notes to the Basic Financial Statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$786,290	\$274,276	\$245,683	\$378,687	\$165,246	\$1,850,182
Cash and Cash Equivalents with Fiscal Agent					119	119
Total Assets	<u>786,290</u>	<u>274,276</u>	<u>245,683</u>	<u>378,687</u>	<u>165,365</u>	<u>1,850,301</u>
Cash Fund Balances						
Reserved for Encumbrances	116,736		30,640		16,288	163,664
Unreserved, Reported in:						
General Fund	669,554					669,554
Special Revenue Funds					148,460	148,460
Debt Service Fund		274,276				274,276
Capital Projects Funds			215,043	378,687	617	594,347
Total Cash Fund Balances	<u>\$786,290</u>	<u>\$274,276</u>	<u>\$245,683</u>	<u>\$378,687</u>	<u>\$165,365</u>	<u>\$1,850,301</u>

See Accompanying Notes to the Basic Financial Statements.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental	Total Governmental Funds
Cash Receipts						
Property Taxes	\$1,167,335	\$155,265			\$14,958	\$1,337,558
Income Taxes	280,121					280,121
Intergovernmental	4,364,329	20,858			434,276	4,819,463
Interest	18,370		41	1,118	1	19,530
Tuition and Fees	144,653				31,561	176,214
Extracurricular Activities					60,522	60,522
Charges for Services					149,909	149,909
Rent			80,580			80,580
Miscellaneous	105,016			11,500	1,105	117,621
Total Cash Receipts	6,079,824	176,123	80,621	12,618	692,332	7,041,518
Cash Disbursements						
Current:						
Instruction:						
Regular	2,759,660				110,044	2,869,704
Special	663,697				230,905	894,602
Vocational	218,379					218,379
Support Services:						
Pupils	127,196					127,196
Instructional Staff	221,368				17,725	239,093
Board of Education	49,196					49,196
Administration	581,149				9,844	590,993
Fiscal	224,897	4,537			654	230,088
Operation and Maintenance of Plant	501,748		3,436		19,177	524,361
Pupil Transportation	296,311					296,311
Central	51,224				14,729	65,953
Non-Instructional Services	223					223
Food Services					251,832	251,832
Extracurricular Activities	98,572				54,274	152,846
Capital Outlay	34,000		34,672			68,672
Debt Service:						
Principal Retirement		75,000				75,000
Interest and Fiscal Charges		98,516				98,516
Total Cash Disbursements	5,827,620	178,053	38,108	12,618	709,184	6,752,965
Cash Receipts Over (Under)						
Cash Disbursements	252,204	(1,930)	42,513	12,618	(16,852)	288,553
Other Financing Sources (Uses)						
Advances In	1,674					
Advances Out					(1,674)	
Transfers In					20,000	20,000
Transfers Out	(20,000)					(20,000)
Total Other Financing Sources (Uses)	(18,326)				18,326	
Net Change in Fund Balances	233,878	(1,930)	42,513	12,618	1,474	288,553
Cash Fund Balances at Beginning of Year	552,412	276,206	203,170	366,069	163,891	1,561,748
Cash Fund Balances at End of Year	\$786,290	\$274,276	\$245,683	\$378,687	\$165,365	\$1,850,301

See Accompanying Notes to the Basic Financial Statements.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Cash Receipts				
Property Taxes	\$1,146,649	\$1,176,649	\$1,167,335	(\$9,314)
Income Taxes	285,042	285,043	280,121	(4,922)
Intergovernmental	4,417,518	4,355,468	4,364,329	8,861
Interest	10,000	12,000	17,790	5,790
Tuition and Fees	147,000	147,000	144,653	(2,347)
Miscellaneous	63,350	63,890	69,778	5,888
Total Cash Receipts	<u>6,069,559</u>	<u>6,040,050</u>	<u>6,044,006</u>	<u>3,956</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	2,408,506	2,390,880	2,306,749	84,131
Special	686,572	709,396	687,504	21,892
Vocational	246,176	247,676	241,838	5,838
Other	479,778	512,078	470,391	41,687
Support Services:				
Pupil	130,429	130,554	127,520	3,034
Instructional Staff	224,718	231,759	224,063	7,696
Board of Education	59,685	50,665	49,196	1,469
Administration	601,087	605,237	586,718	18,519
Fiscal	244,170	246,090	224,972	21,118
Operation and Maintenance of Plant	600,590	578,391	505,558	72,833
Pupil Transportation	351,283	359,633	323,071	36,562
Central	59,780	61,280	52,031	9,249
Non-Instructional Services	450	450	223	227
Extracurricular Activities	115,075	100,275	98,572	1,703
Capital Outlay	38,000	32,425	34,450	(2,025)
Total Cash Disbursements	<u>6,246,299</u>	<u>6,256,789</u>	<u>5,932,856</u>	<u>323,933</u>
Receipts Over (Under) Disbursements	(176,740)	(216,739)	111,150	327,889
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	13,000	35,000	35,238	238
Refund of Prior Year Receipts		(11,500)	(11,500)	
Advances In	5,000	1,674	1,674	
Advances Out	(20,000)			
Transfers In				
Transfers Out	(25,000)	(23,500)	(20,000)	3,500
Total Other Financing Sources (Uses)	<u>(27,000)</u>	<u>1,674</u>	<u>5,412</u>	<u>3,738</u>
Net Change in Fund Balance	(203,740)	(215,065)	116,562	331,627
Fund Balances at Beginning of Year	496,405	496,405	496,405	
Prior Year Encumbrances Appropriated	55,699	55,699	55,699	
Fund Balances at End of Year	<u>\$348,364</u>	<u>\$337,039</u>	<u>\$668,666</u>	<u>\$331,627</u>

See Accompanying Notes to the Basic Financial Statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$8,537</u>	<u>\$27,273</u>
Net Assets		
Held in Trust for Scholarships	<u>\$8,537</u>	
Held for Student Activities		<u>\$27,273</u>

See Accompanying Notes to the Basic Financial Statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Private Purpose Trust</u>
Additions	
Contributions	\$5,970
Deductions	
Non-Instructional Services	<u>1,000</u>
Change in Net Assets	4,970
Net Cash Assets at Beginning of Year	<u>3,567</u>
Net Cash Assets at End of Year	<u><u>\$8,537</u></u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District was established in 1929 through the consolidation of existing land areas and school districts. The School District serves an area of approximately ninety-five square miles. It is located in Auglaize, Hardin, and Logan Counties and includes all of the Villages of Alger and McGuffey, all of Marion and Roundhead Townships, and portions of Cessna, Lynn, and McDonald Townships in Hardin County. The School District is the 544th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by thirty-seven classified employees, fifty-five certified teaching personnel, and four administrative employees who provide services to seven hundred ninety-eight students and other community members. The School District currently operates one instructional building, one administration building, and one garage.

A. Reporting Entity:

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

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

The School District participates in five jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the West Central Ohio Special Education Regional Resource Center, Western Ohio Computer Organization, Ohio Hi-Point Joint Vocational School, Hardin County Schools Consortium Local Professional Development Committee, West Central Regional Professional Development Center, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, Ohio School Boards Association Workers' Compensation Group Rating Plan, and Alger Public School District Library. These organizations are presented in Notes 17, 18, and 19 to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the modified cash accounting basis. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principals included all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

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

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the School District's general receipts.

2. Fund Financial Statements

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

B. Fund Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General Fund, the Bond Retirement Fund, the Permanent Improvement Fund, and the Classroom Facilities Fund.

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

Bond Retirement Fund – The Bond Retirement Fund has been established for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Permanent Improvement Fund – The Permanent Improvement Fund is used to account for the financial resources and associated expenses with the farm rental property owned by the School District.

Classroom Facilities Fund – The Classroom Facilities Fund is used account for the financial resources and associated expenses for the new school building.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

2. Fiduciary Funds

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 assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust funds accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

C. Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

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

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

Tax Budget

With the passage of House Bill #129 (spring 2001), a county budget commission may waive the submission of a subdivision's annual tax budget. On August 6, 2002, the Hardin County Budget Commission adopted a resolution waiving the requirement for the adoption of a tax budget for fiscal year 2004 and all future fiscal years for all school districts within Hardin County. In lieu of a full tax budget, the Commission will require the school districts to submit a copy of the five-year forecast annually by October 31st. This waiver of the tax budget does not change any other financial reporting requirements.

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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

During fiscal year 2005, investments were limited to STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

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 2005 was \$18,370, which included \$6,714 assigned from other School District funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the 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.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. The District does not have any restricted assets.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these 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 modified cash basis of accounting used by the School District.

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure". GASB Statement No. 40 establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At fiscal year end, the School District had \$10,083 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents". In addition, \$119 of grant money was held by the Hardin County Educational Service Center.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,483,764 of the School District's bank balance of \$1,683,835 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name. At fiscal year end, the carrying amount of the School District's deposits was \$1,511,130.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

As of June 30, 2005, the carrying value of funds on deposit with Star Ohio was \$364,779. The School District's investments in Star Ohio have an average maturity of 30.4 days. STAR Ohio carries a rating of AAAM by Standard and Poor's.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, 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.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Auglaize, Hardin and Logan Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$43,738,990	85.90%	\$45,324,660	87.28%
Industrial/Commercial	2,317,050	4.55	2,099,100	4.04
Public Utility	4,175,820	8.20	4,105,570	7.90
Tangible Personal	689,446	1.35	403,730	0.78
Total Assessed Value	<u>\$50,921,306</u>	<u>100.00%</u>	<u>\$51,933,060</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.50		\$35.40	

6. INCOME TAX

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

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 758,835	\$ 0	\$ 0	\$ 758,835
Construction in Progress	17,856	0	(17,856)	0
Total Non-depreciable Capital Assets	<u>776,691</u>	<u>0</u>	<u>(17,856)</u>	<u>758,835</u>
Depreciable Capital Assets				
Land Improvements	1,443,687	0	(16,897)	1,426,790
Buildings and Building Improvements	16,769,071	25,800	0	16,794,871
Furniture, Fixtures, and Equipment	1,251,569	0	0	1,251,569
Vehicles	491,880	0	0	491,880
Total Depreciable Capital Assets	<u>19,956,207</u>	<u>25,800</u>	<u>(16,897)</u>	<u>19,965,110</u>
Total Capital Assets	<u>\$20,732,898</u>	<u>\$25,800</u>	<u>(\$34,753)</u>	<u>\$20,723,945</u>

8. INTERFUND BALANCES

At June 30, 2005, the General Fund had an unpaid interfund cash advance, in the amount of \$19,000, for a loan made to the Food Service special revenue fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted for the following insurance coverage:

Building and Contents - Replacement Cost	\$24,535,629
Automobile Liability	1,000,000
Commercial Umbrella	3,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000

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

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

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Plan.

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003 was \$332,449, \$341,124, and \$317,192, respectively; 100 percent has been contributed for fiscal years 2005, 2004, and 2003. Amounts contributed by the School District and by plan members for the DCP and CP for the fiscal year ended June 30, 2005 were \$2,325.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 was \$74,466, \$66,381, and \$55,904, respectively; 100 percent has been contributed for fiscal years 2005, 2004, and 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2005, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$25,757.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care.

The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$38,212 for fiscal year 2005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004 (the latest information available), were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. The superintendent and treasurer earn twenty days of vacation per year.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	<u>Interest Rate</u>	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>	<u>Due Within One Year</u>
General Long-Term Obligations						
General Obligation Bonds						
2002 School Improvement						
Serial and Term	2.10 – 5.25%	\$2,140,000	\$0	\$75,000	\$2,065,000	\$75,000
Capital Appreciation	16.78	39,999	0	0	39,999	0
Total General Obligation Bonds		2,179,999	0	75,000	2,104,999	75,000
Other Long-Term Obligations						
Capital Leases		708,406	0	21,414	686,992	22,320
Total General Long-Term Obligations		<u>\$2,888,405</u>	<u>\$0</u>	<u>\$96,414</u>	<u>\$2,791,991</u>	<u>\$97,320</u>

2002 School Improvement General Obligation Bonds - On May 1, 2002, the School District issued \$2,249,999 in voted general obligation bonds for improvements to buildings and structures. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,050,000, \$1,160,000, and \$39,999, respectively. The capital appreciation bonds were issued at a premium of \$85,669. The bonds are being retired from the Bond Retirement debt service fund.

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

The capital appreciation bonds will mature in fiscal years 2012 and 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$200,000.

The School District's overall debt margin was \$2,843,252 with an unvoted debt margin of \$51,933 at June 30, 2005.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
2006	\$ 75,000	\$ 0	\$ 0	\$ 96,510	\$ 171,510
2007	75,000	0	0	94,223	169,223
2008	80,000	0	0	91,622	171,622
2009	85,000	0	0	88,629	173,629
2010	90,000	0	0	85,257	175,257
2011-2015	295,000	0	39,999	550,710	885,709
2016-2020	205,000	350,000	0	287,531	842,531
2021-2025	0	695,000	0	125,344	820,344
2026	0	115,000	0	3,019	118,019
	<u>\$905,000</u>	<u>\$1,160,000</u>	<u>\$39,999</u>	<u>\$1,422,845</u>	<u>\$3,527,844</u>

14. CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for facilities and equipment.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2006	\$ 22,320	\$ 26,196
2007	23,264	25,252
2008	9,733	24,267
2009	10,106	23,894
2010	10,494	23,506
2011-2015	58,819	111,181
2016-2020	70,992	99,008
2021-2025	85,685	84,315
2026-2030	103,418	66,582
2031-2035	124,821	45,179
2036-2041	167,340	19,662
Present Value of Minimum Lease	<u>\$686,992</u>	<u>\$549,042</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

15. SET ASIDE REQUIREMENTS

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

The following modified cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	Textbooks	Capital Improvements
Balance June 30, 2004	(\$102,292)	*(\$818,534)
Current Year Set Aside Requirement	112,192	112,192
Offsets		(194,052)
Qualifying Expenditures	(53,614)	(110,932)
Amount Carried Forward to Fiscal Year 2006	(43,714)	(1,011,326)
Set Aside Reserve Balance June 30, 2005	\$ 0	\$ 0

The School District had qualifying expenditures during the fiscal year that reduced the textbooks and capital improvement set aside amounts below zero. These amounts may be used to reduce the set aside requirements in future fiscal years.

*The School District restated the beginning Capital Improvements balance. This restatement was primarily the result of utilizing offsets not included in the calculations in previous years.

16. INTERFUND TRANSFERS/ADVANCES

During fiscal year 2005, the General Fund transferred \$20,000 to the Food Service special revenue fund to subsidize food service operations. Other Governmental Funds returned an advance to in the amount of \$1,674 to the General Fund.

17. JOINTLY GOVERNED ORGANIZATIONS

A. West Central Ohio Special Education Regional Resource Center

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, 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 2005, the School District paid \$32,178 to WOCO for various services. Financial information can be obtained from Sonny Ivey, who serves as Director, 129 East Court Street, Sidney, Ohio 45365.

C. Ohio Hi-Point Joint Vocational School

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

D. Hardin County Schools Consortium Local Professional Development Committee

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

E. West Central Regional Professional Development Center

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

18. INSURANCE POOLS

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

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

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

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

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

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

19. RELATED ORGANIZATION

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

20. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

21. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

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

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District (the "School District") as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is material weakness. In a separate letter to the School District's management dated January 6, 2006, we reported another matter involving internal control over financial reporting which we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the School District's management dated January 6, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Board of Education. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 6, 2006

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2005

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

FINDING NUMBER 2005-001

Noncompliance Citation

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

Ohio Admin. Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its FY 05 financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

FINDING NUMBER 2005-002

Reportable Condition

Board Monitoring of Budget vs. Actual Activity

To effectively manage the financial resources of an entity, the governing body should frequently receive and approve financial reports that reflect budget versus actual revenues and expenditures. During fiscal year 2005, budget versus actual revenue and expenditures were only reviewed once by the Board or Finance Committee. In addition, the budget versus actual amounts reviewed only included the General Fund.

The Board's ability to monitor financial objectives and to identify potential violations of budgetary laws is inhibited when they do not receive budget versus actual reports on a regular basis for all funds.

The Treasurer should periodically provide the Board and/or Finance Committee with budget versus actual reports for all funds. Evidence of the review and approval of these reports should be documented in the minutes of the School District or Finance Committee.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2004-001	ORC Sec. 117.28 & OAC Sec. 117-02-03 (B) - The District did not report on the GAAP basis of accounting	No	Repeated as Finding 2005-001
2004-002	The Board should monitor budget versus actual activity	No	Repeated as Finding 2005-002



**Auditor of State
Betty Montgomery**

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UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2006**