



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

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, (the "School District"), as of and for the fiscal year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2006, and the respective changes in the cash financial position and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2007, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 23, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006, within the limitations of 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 2006 are as follows:

- In total, net assets increased \$34,917, less than 2 percent.
- 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. This is comparable to the prior fiscal year.

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 the 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 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 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 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, 2006
(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 2006, within the limitations of 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 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, 2006
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2006 and fiscal year 2005:

**Table 1
Net Assets**

	Governmental Activities	
	2006	2005
Assets:		
Cash and Cash Equivalents	\$1,885,218	\$1,850,301
Net Assets:		
Restricted	1,108,367	1,064,011
Unrestricted	776,851	786,290
Total Net Assets	\$1,885,218	\$1,850,301

- As mentioned previously, total net assets increased \$34,917, less than 2 percent. This was not a significant change.

Table 2 reflects the changes in net assets for fiscal year 2006 and fiscal year 2005.

**Table 2
Change in Net Assets**

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts		
Charges for Services	\$233,783	\$236,055
Operating Grants and Contributions	918,367	903,551
Capital Grants and Contributions	20,988	8,611
Total Program Receipts	1,173,138	1,148,217
Property Taxes Levied for General Purposes	1,235,514	1,167,335
Property Taxes Levied for Classroom Maintenance	30,321	14,958
Property Taxes Levied for Debt Service	159,683	155,265
Income Taxes Levied for General Purposes	296,517	280,121
Grants and Entitlements	4,112,037	4,057,891
Interest	63,788	19,530
Rent	69,772	80,580
Miscellaneous	23,697	117,621
Total General Receipts	5,991,329	5,893,301
Total Receipts	7,164,467	7,041,518

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

	Governmental Activities	
	2006	2005
Disbursements:		
Instruction:		
Regular	3,057,474	2,869,704
Special	1,013,060	894,602
Vocational	236,421	218,379
Support Services:		
Pupils	138,331	127,196
Instructional Staff	214,979	239,093
Board of Education	39,280	49,196
Administration	575,589	590,993
Fiscal	236,434	230,088
Operation and Maintenance of Plant	557,427	524,361
Pupil Transportation	387,585	296,311
Central	48,433	65,953
Non-Instructional Services	82	223
Food Services	249,016	251,832
Extracurricular Activities	156,108	152,846
Capital Outlay	47,821	68,672
Debt Service:		
Principal Retirement	75,000	75,000
Interest and Fiscal Charges	96,510	98,516
Total Disbursements	<u>7,129,550</u>	<u>6,752,965</u>
Increase (Decrease) in Net Assets	<u>\$34,917</u>	<u>\$288,553</u>

Program receipts only represented 16 percent of total receipts for both fiscal years 2006 and 2005. These receipts are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, extracurricular activities, and food service sales.

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 (29 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 60 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 78 percent of the School District's disbursements are related to the primary functions of providing facilities and delivering education.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(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	
	2006	2005	2006	2005
Instruction:				
Regular	\$3,057,474	\$2,869,704	\$2,819,490	\$2,608,713
Special	1,013,060	894,602	466,131	388,645
Vocational	236,421	218,379	167,189	158,721
Support Services:				
Pupils	138,331	127,196	138,331	127,196
Instructional Staff	214,979	239,093	214,979	239,093
Board of Education	39,280	49,196	39,280	49,196
Administration	575,589	590,993	575,589	590,993
Fiscal	236,434	230,088	236,434	230,088
Operation and Maintenance of Plant	557,427	524,361	557,144	522,666
Pupil Transportation	387,585	296,311	383,277	287,700
Central	48,433	65,953	34,433	51,224
Non-Instructional Services	82	223	82	223
Food Services	249,016	251,832	11,806	15,778
Extracurricular Activities	156,108	152,846	92,916	92,324
Capital Outlay	47,821	68,672	47,821	68,672
Debt Service:				
Principal Retirement	75,000	75,000	75,000	75,000
Interest and Fiscal Charges	96,510	98,516	96,510	98,516
Total Disbursements	<u>\$7,129,550</u>	<u>\$6,752,965</u>	<u>\$5,956,412</u>	<u>\$5,604,748</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent as over 80 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 54 percent. This is the result of operating grants and contributions restricted for special instruction purposes.

Over 95 percent of food services were covered by program receipts for fiscal year 2006. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. Over 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, once again, demonstrates how comparable both the total cost of services and the net cost of services are between fiscal year 2006 and fiscal year 2005.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The changes in fund balance for the School District's major funds (General, Bond Retirement, Permanent Improvement, Classroom Facilities) were insignificant, except for the Permanent Improvement Fund, which had an 8.3% increase in fund balance.

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 2006, the School District amended its General Fund budget as needed. For both receipts and disbursements, changes from the original budget to the final budget as well as from the final budget to actual receipts and disbursements were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$20,760,791 in capital assets for governmental activities. This represents a change of one percent from fiscal year 2005. The School District is reflecting capital assets at 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 6 to the basic financial statements.

Debt

At June 30, 2006, the School District's outstanding debt included general obligation bonds, in the amount of \$2,029,999, issued for improvements to buildings and structures, and capital leases, in the amount of \$664,672, for facilities and equipment. For further information regarding the School District's debt, refer to Notes 12 and 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 placed a one percent income tax levy on the November 2006 ballot. The School District has made significant staffing cuts for the 2006/2007 school year as well as transferring vocational units to the Ohio Hi Point Joint Vocational School. Any additional cuts will adversely affect the education of the students of this school district.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(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. Box 305, 701 North Main Street, Alger, Ohio 45812.

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UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,884,896
Cash and Cash Equivalents with Fiscal Agent	322
Total Assets	<u>1,885,218</u>
Net Assets	
Restricted for:	
Capital Projects	653,694
Debt Service	278,688
Classroom Maintenance Levy	79,230
Set Asides	9,051
Other Purposes	87,704
Unrestricted	776,851
Total Net Assets	<u>\$1,885,218</u>

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipt and Change In Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Current:					
Instruction:					
Regular	\$3,057,474	\$21,593	\$208,711	\$7,680	(\$2,819,490)
Special	1,013,060		546,929		(466,131)
Vocational	236,421		69,232		(167,189)
Support Services:					
Pupils	138,331				(138,331)
Instructional Staff	214,979				(214,979)
Board of Education	39,280				(39,280)
Administration	575,589				(575,589)
Fiscal	236,434				(236,434)
Operation and Maintenance of Plant	557,427		283		(557,144)
Pupil Transportation	387,585			4,308	(383,277)
Central	48,433		5,000	9,000	(34,433)
Non-Instructional Services	82				(82)
Food Services	249,016	156,484	80,726		(11,806)
Extracurricular Activities	156,108	55,706	7,486		(92,916)
Capital Outlay	47,821				(47,821)
Debt Service:					
Principal Retirement	75,000				(75,000)
Interest and Fiscal Charges	96,510				(96,510)
Total Governmental Activities	\$7,129,550	\$233,783	\$918,367	\$20,988	(5,956,412)

General Receipts

Property Taxes Levied for:	
General Purposes	1,235,514
Classroom Maintenance	30,321
Debt Service	159,683
Income Taxes Levied for General Purposes	296,517
Grants and Entitlements not Restricted to Specific Programs	4,112,037
Interest	63,788
Rent	69,772
Miscellaneous	23,697
Total General Receipts	5,991,329
Change in Net Assets	34,917
Net Assets at Beginning of Year	1,850,301
Net Assets at End of Year	\$1,885,218

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$785,902	\$278,688	\$266,192	\$379,822	\$174,292	\$1,884,896
Cash and Cash Equivalents with Fiscal Agent					322	322
Total Assets	<u>785,902</u>	<u>278,688</u>	<u>266,192</u>	<u>379,822</u>	<u>174,614</u>	<u>1,885,218</u>
Cash Fund Balances						
Reserved for Encumbrances	66,680		3,975		27,311	97,966
Reserved for Textbooks	9,051					9,051
Unreserved, Reported in:						
General Fund	710,171					710,171
Special Revenue Funds					147,235	147,235
Debt Service Fund		278,688				278,688
Capital Projects Funds			262,217	379,822	68	642,107
Total Cash Fund Balances	<u>\$785,902</u>	<u>\$278,688</u>	<u>\$266,192</u>	<u>\$379,822</u>	<u>\$174,614</u>	<u>\$1,885,218</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 - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Cash Receipts						
Property Taxes	\$1,235,514	\$159,683			\$30,321	\$1,425,518
Income Taxes	296,517					296,517
Intergovernmental	4,447,488	20,758			431,979	4,900,225
Interest	59,927		2,726	1,135	39	63,827
Tuition and Fees	143,642				21,593	165,235
Extracurricular Activities					63,192	63,192
Charges for Services					156,484	156,484
Rent			69,772			69,772
Miscellaneous	23,697					23,697
Total Cash Receipts	<u>6,206,785</u>	<u>180,441</u>	<u>72,498</u>	<u>1,135</u>	<u>703,608</u>	<u>7,164,467</u>
Cash Disbursements						
Current:						
Instruction:						
Regular	2,950,659				106,815	3,057,474
Special	774,760				238,300	1,013,060
Vocational	236,421					236,421
Support Services:						
Pupils	131,476				6,855	138,331
Instructional Staff	206,996				7,983	214,979
Board of Education	39,280					39,280
Administration	555,805				19,784	575,589
Fiscal	231,251	4,519			664	236,434
Operation and Maintenance of Plant	536,081		7,703		13,643	557,427
Pupil Transportation	356,945		30,640			387,585
Central	34,433				14,000	48,433
Non-Instructional Services	82					82
Food Services					249,016	249,016
Extracurricular Activities	98,809				57,299	156,108
Capital Outlay	34,175		13,646			47,821
Debt Service:						
Principal Retirement		75,000				75,000
Interest and Fiscal Charges		96,510				96,510
Total Cash Disbursements	<u>6,187,173</u>	<u>176,029</u>	<u>51,989</u>	<u>1,135</u>	<u>714,359</u>	<u>7,129,550</u>
Cash Receipts Over (Under)						
Cash Disbursements	19,612	4,412	20,509	1,135	(10,751)	34,917
Other Financing Sources (Uses)						
Transfers In					20,000	20,000
Transfers Out	(20,000)					(20,000)
Total Other Financing Sources (Uses)	<u>(20,000)</u>				<u>20,000</u>	
Net Change in Fund Balances	<u>(388)</u>	<u>4,412</u>	<u>20,509</u>	<u>1,135</u>	<u>9,249</u>	<u>34,917</u>
Cash Fund Balances at Beginning of Year	786,290	274,276	245,683	378,687	165,365	1,850,301
Cash Fund Balances at End of Year	<u>\$785,902</u>	<u>\$278,688</u>	<u>\$266,192</u>	<u>\$379,822</u>	<u>\$174,614</u>	<u>\$1,885,218</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 BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
Cash Receipts				
Property Taxes	\$1,166,728	\$1,234,228	\$1,235,514	\$1,286
Income Taxes	293,593	298,393	296,517	(1,876)
Intergovernmental	4,454,657	4,424,915	4,447,488	22,573
Interest	16,000	45,000	59,927	14,927
Tuition and Fees	146,395	144,195	143,642	(553)
Miscellaneous	6,350	6,350	12,873	6,523
Total Cash Receipts	<u>6,083,723</u>	<u>6,153,081</u>	<u>6,195,961</u>	<u>42,880</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	2,492,591	2,498,891	2,417,076	81,815
Special	785,257	798,765	777,629	21,136
Vocational	253,961	261,461	256,319	5,142
Other	473,000	545,000	543,693	1,307
Support Services:				
Pupil	135,742	136,942	131,831	5,111
Instructional Staff	226,745	225,745	214,351	11,394
Board of Education	52,250	40,250	39,280	970
Administration	652,559	586,959	561,379	25,580
Fiscal	235,661	247,561	236,484	11,077
Operation and Maintenance of Plant	561,435	591,835	542,981	48,854
Pupil Transportation	374,279	387,279	358,132	29,147
Central	54,444	49,444	34,433	15,011
Non-Instructional Services	450	450	100	350
Extracurricular Activities	106,500	106,500	98,809	7,691
Capital Outlay	28,450	28,450	34,175	(5,725)
Total Cash Disbursements	<u>6,433,324</u>	<u>6,505,532</u>	<u>6,246,672</u>	<u>258,860</u>
Receipts Over (Under) Disbursements	(349,601)	(352,451)	(50,711)	301,740
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures		9,175	10,824	1,649
Refund of Prior Year Receipts		(7,181)	(7,181)	
Advances In				
Advances Out	(5,000)	(5,000)		5,000
Transfers In				
Transfers Out	(20,000)	(22,319)	(20,000)	2,319
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(25,325)</u>	<u>(16,357)</u>	<u>8,968</u>
Net Change in Fund Balance	(374,601)	(377,776)	(67,068)	310,708
Fund Balances at Beginning of Year	669,554	669,554	669,554	
Prior Year Encumbrances Appropriated	116,736	116,736	116,736	
Fund Balances at End of Year	<u>\$411,689</u>	<u>\$408,514</u>	<u>\$719,222</u>	<u>\$310,708</u>

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$11,739</u>	<u>\$29,904</u>
Net Assets		
Held in Trust for Scholarships	<u>\$11,739</u>	
Held for Student Activities		<u>\$29,904</u>

See accompanying notes to the basic financial statements.

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Trust</u>
Additions	
Contributions	\$3,202
Deductions	
	<u>0</u>
Change in Net Assets	3,202
Net Cash Assets at Beginning of Year	<u>8,537</u>
Net Cash Assets at End of Year	<u><u>\$11,739</u></u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 542nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-six classified employees, fifty-four certified teaching personnel, and four administrative employees who provide services to seven hundred eighty 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, 2006
(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 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 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 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, contributions and interest 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 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, 2006
(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 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 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, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

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

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 2006, 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, 2006.

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 2006 was \$59,927, which included \$20,738 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, 2006
(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. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

G. Compensated Absences

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

H. Long-Term Obligations

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.

I. 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. As of June 30, 2006, net assets restricted by enabling legislation was \$357,918.

J. 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 and text book set asides.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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. 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;
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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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.
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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.

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, \$1,464,983 of the School District's bank balance of \$1,665,054 was exposed to custodial credit risk because it was uninsured and collateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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, 2006, the carrying value of funds on deposit with Star Ohio was \$379,909. The School District's investments in Star Ohio have an average maturity of 34.8 days. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. 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 during calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received during calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, 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 during calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received during calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, 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 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. 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, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$45,324,660	87.28%	\$47,870,450	88.25%
Industrial/Commercial	2,099,100	4.04	2,164,160	3.99
Public Utility	4,105,570	7.90	3,919,710	7.23
Tangible Personal	403,730	0.78	290,576	0.53
Total Assessed Value	<u>\$51,933,060</u>	<u>100.00%</u>	<u>\$54,244,896</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.40		\$35.00	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. 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.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/06</u>
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 758,835	\$ 0	\$ 0	\$ 758,835
Depreciable Capital Assets				
Land Improvements	1,426,790	0	0	1,426,790
Buildings and Building Improvements	16,794,871	0	0	16,794,871
Furniture, Fixtures, and Equipment	1,251,569	2,467	0	1,254,036
Vehicles	491,880	61,019	(26,640)	526,259
Total Depreciable Capital Assets	<u>19,965,110</u>	<u>63,486</u>	<u>(26,640)</u>	<u>20,001,956</u>
Total Capital Assets	<u>\$20,723,945</u>	<u>\$63,486</u>	<u>(\$26,640)</u>	<u>\$20,760,791</u>

7. INTERFUND BALANCES

At June 30, 2006, the General Fund had an unpaid interfund cash advance, in the amount of \$19,000, for a loan made to the Food Service Fund during fiscal year 2004.

8. 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 2006, the School District contracted for the following insurance coverage:

Building and Contents - Replacement Cost	\$25,271,698
Automobile Liability	1,000,000
Commercial Umbrella	3,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

8. RISK MANAGEMENT (Continued)

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 2006, 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.

9. 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2006, 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, 2006, 2005, and 2004 was \$328,027, \$332,449, and \$341,124, respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$590 made by the School District and \$4,522 made by plan members.

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.

For the fiscal year ended June 30, 2006, 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 2006 was 14 percent of annual covered payroll; 11.7 percent was the portion used to fund pension obligations. For fiscal year 2005, 10.57 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, 2006, 2005, and 2004 was \$71,644, \$74,466, and \$66,381, respectively; 44 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

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, 2006, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. 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 2006, the Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$25,278.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005 (the latest information available). 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.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 2.3 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 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$36,702 for fiscal year 2006.

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, 2005 (the latest information available), were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. At June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of the next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

11. 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 forty days for teachers and two hundred thirty six days for all other 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.

12. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	<u>Interest Rate</u>	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/06</u>	<u>Due Within One Year</u>
General Long-Term Obligations						
General Obligation Bonds						
2002 School Improvement						
Serial and Term	2.10 – 5.25%	\$2,065,000	\$0	\$75,000	\$1,990,000	\$75,000
Capital Appreciation	16.78	39,999	0	0	39,999	0
Total General Obligation Bonds		2,104,999	0	75,000	2,029,999	75,000
Other Long-Term Obligations						
Capital Leases		686,992	0	22,320	664,672	23,264
Total General Long-Term Obligations		\$2,791,991	\$0	\$97,320	\$2,694,671	\$98,264

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

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

Year	Amount
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:

Redemption Dates (Dates Inclusive)	Redemption Prices
June 1, 2012 and thereafter	100%

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. At June 30, 2006, the total amount of these bonds including accretion was \$151,954.

The School District's overall debt margin was \$3,130,730 with an unvoted debt margin of \$54,245 at June 30, 2006.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital	Interest	Total
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	95,000	0	0	81,509	176,509
2012-2016	300,000	0	39,999	537,413	877,412
2017-2021	105,000	475,000	0	258,563	838,563
2022-2026	0	685,000	0	89,119	774,119
	\$830,000	\$1,160,000	\$39,999	\$1,326,335	\$3,356,334

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

13. 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, 2006.

<u>Fiscal Year Ending June 30,</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 23,264	\$ 25,252
2008	9,733	24,267
2009	10,106	23,894
2010	10,494	23,506
2011	10,896	23,104
2012-2016	61,074	108,926
2017-2021	73,714	96,286
2022-2026	88,970	81,031
2027-2031	107,383	62,617
2032-2036	129,607	40,393
2037-2041	139,431	13,570
Present Value of Minimum Lease	<u>\$664,672</u>	<u>\$522,846</u>

14. 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 cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2006.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2005	(\$ 43,714)	(\$ 1,011,326)
Current Year Set Aside Requirement	113,883	113,883
Offsets		(213,749)
Qualifying Expenditures	(61,118)	(123,830)
Amount Carried Forward to Fiscal Year 2007	<u>9,051</u>	<u>(1,235,022)</u>
Set Aside Reserve Balance June 30, 2006	<u>\$ 9,051</u>	<u>\$ 0</u>

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

15. INTERFUND TRANSFERS/ADVANCES

During fiscal year 2006, the General Fund transferred \$20,000 to the Food Service special revenue fund to subsidize food service operations.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

16. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor restricted endowments. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$11,739 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the monies should be used to provide a scholarship each year.

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 Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

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 2006, the School District paid \$25,089 to WOCO for various services. Financial information can be obtained from WOCO, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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, P.O. Box 18, 100 West Wagoner Street, Alger, Ohio 45812.

20. 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, 2006.

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of the true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District received a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$37,350 per year. A portion of the refund may be recovered from additional State entitlement payments.

21. SUBSEQUENT EVENTS

The Board of Education placed a one percent income tax levy on the November 2006 ballot in an attempt to prevent the fiscal year 2007 deficit predicted by the District's five-year forecast. This levy for additional funds did not pass during November 2006. The School District plans to place this levy on the ballot again in the future.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Logan County, (the "School District"), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 18, 2007. 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 District's internal control over financial reporting to determine our auditing procedures 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 2006-002.

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 a material

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 2006-001. In a separate letter to the School District's management dated January 23, 2007, 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.

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

Mary Taylor, CPA
Auditor of State

January 23, 2006

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006

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

FINDING NUMBER 2006-001

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 prepares its financial statements in accordance with another comprehensive basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

OFFICIAL'S RESPONSE

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-002

Reportable Condition

Accountability for Student Activity Fundraisers

To help assure accountability over fund raisers, an entity should maintain the original documentation to support the items ordered, the revenues collected, and the expenditures made for the fundraiser. Monitoring procedures should be performed on the fundraising records by someone independent of the fundraiser.

The Future Farmers of America (FFA) Student Activity participated in a fund raiser during the fall of 2005. The students received orders from individuals and documented these orders on an order form. These forms were submitted to the FFA advisor who in turn, documented order totals, by student, on a summary form and the information was transferred to a computerized spreadsheet. The totals from the spreadsheet were used to place the fruit order. There was no independent review of the spreadsheet prior to the fruit being ordered.

When the fruit was received, the original order forms were given back to the students and the fruit was distributed. After distributing the fruit, the students were not required to give the original order forms back to the FFA advisor. It was at this point, the FFA advisor realized that too much product had been ordered. Per the FFA advisor, a review of the computerized spreadsheet revealed that inputting errors had occurred and this is the reason for ordering too much product. The additional product ordered had a resale value of \$5,554. This matter was not reported to the Board of Education.

**FINDING NUMBER 2006-002
(Continued)**

The FFA advisor maintained a summary sheet that accounted for the donation of the majority of the excess product. The potential selling value of the extra product that was donated was as follows: \$2,133 worth was donated to three churches/charities in the community; \$1,106 worth was eaten by the students; \$399 was used to replace bad fruit in customers' orders; \$384 worth was placed in the fruit bags and baskets above that already placed in them; \$330 worth was donated to unspecified individuals; and \$255 worth was spoiled and thrown away. In addition, there was an additional \$947 worth of excess product that was not accounted for by the FFA advisor. The FFA advisor's summary sheet that documents the allocation of the excess product was not approved by either the High School Principal or the Board of Education. With the exception of the potential loss of revenue from donating all excess product, the revenue from the product actually sold was collected and paid into the School District Treasurer.

Without the original order forms to substantiate the types and quantities of product, it is not possible to determine whether or not the correct amount of money was collected and remitted to the fundraising organization. In addition, the lack of someone in authority and independent of the fruit sale not authorizing how the excess fruit was distributed also contributes to not being able to determine if the correct amount of cash was collected. The failure to maintain complete records and obtain authorization for distributing excess product could result in findings for recovery being issued for either failing to account for all receipts or for the improper expenditure of money.

If the School District's FFA Student Activity chooses to participate in this fundraiser in the future, procedures should be developed to help maintain complete records and assist in preventing discrepancies. The FFA advisor should maintain the original order forms as well as any other records produced from these forms. In addition, if excess product is on hand, the distribution of this product should be authorized by someone independent of the FFA organization. Records should be maintained that show how much was donated and who received the donated product. The School District's Board of Education should develop monitoring procedures to help assure adequate records are maintained for each fund raiser. If a discrepancy does arise, it should be investigated and reported to the Board.

OFFICIAL'S RESPONSE

We did not receive a response from Officials to this finding.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2005-001	ORC Sec. 117.38 & OAC Sec. 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as Finding 2006-001
2005-002	The Board should monitor budget versus actual activity	Yes	



Mary Taylor, CPA
Auditor of State

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 20, 2007