



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

Board of Education
Scioto Valley Local School District
1414 Piketon Road
Piketon, Ohio 45661

We have reviewed the Independent Auditor's Report of the Scioto Valley Local School District, Pike County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 3, 2013

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**SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund.....	16
Statement of Fund Net Assets – Governmental Activities - Internal Service Fund.....	17
Statement of Revenues, Expenses and Changes in Fund Net Assets – Governmental Activities – Internal Service Fund.....	18
Statement of Cash Flows – Governmental Activities - Internal Service Fund.....	19
Statement of Fiduciary Assets and Liabilities – Agency Fund	20
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Receipts and Expenditures.....	44
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	45
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	46
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	48
Schedule of Findings OMB Circular A-133 Section §.505	50
Independent Auditor’s Report on Applying Agreed-Upon Procedures	52

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Independent Auditor's Report

Members of the Board of Education
Scioto Valley Local School District
1414 Piketon Road
Piketon, OH 45661

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scioto Valley Local School District, Pike County, Ohio (the School District) as of and for the year ended June 30, 2012, 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Scioto Valley Local School District, Pike County, Ohio as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows, thereof and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2012, 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.

Accounting principles generally accepted in the United States of America required this presentation to include Management's Discussion and Analysis as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial. This statement was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 19, 2012

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of the Scioto Valley Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2012 are as follows:

- Net assets of governmental activities decreased \$1,142,727.
- General revenues accounted for \$13,285,192 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,114,721 or 19% of total revenues of \$16,399,913.
- The School District had \$17,542,640 in expenses related to governmental activities; only \$3,114,721 of these expenses were offset by program specific charges for services and sales, grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the 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's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond and Coupon Fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating revenues over (under) operating expenses and changes in net assets. Proprietary funds are classified as enterprise or internal service and the School District only has an internal service fund which is used to account for its self-insurance program for employee medical and dental claims. This fund is reported using the accrual basis of accounting.

Fiduciary Funds The School District's fiduciary fund is an agency fund. The School District's fiduciary fund is reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011.

	Table 1	
	Governmental Activities	
	2012	2011
Assets		
Current and Other Assets	\$ 11,833,198	\$ 12,127,832
Capital Assets, Net	22,039,710	23,292,021
Total Assets	33,872,908	35,419,853
Liabilities		
Long-term Liabilities	2,265,443	2,356,871
Current and Other Liabilities	3,884,240	4,197,030
Total Liabilities	6,149,683	6,553,901
Net Assets		
Invested in Capital Assets, Net of Debt	20,457,358	21,597,738
Restricted	1,887,694	2,056,446
Unrestricted	5,378,173	5,211,768
Total Net Assets	\$ 27,723,225	\$ 28,865,952

Total net assets of the School District as a whole decreased \$1,142,727. Current and Other Assets decreased due primarily to a decrease to in equity in pooled cash and investments, which was partially offset by an increase in property taxes receivable. Current and Other liabilities decreased primarily due to a decrease in claims payable which was partially offset by an increase in deferred revenues. Capital Assets decreased due primarily to the current year depreciation, which was partially offset by capital asset additions.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

Table 2
Changes in Net Assets

	Governmental Activities	
	2012	2011
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 920,656	\$ 910,394
Operating Grants and Contributions	2,194,065	3,448,101
Total Program Revenues	<u>3,114,721</u>	<u>4,358,495</u>
General Revenues		
Property Taxes	2,114,194	1,855,279
Grants and Entitlements not Restricted	11,052,435	11,220,368
Gifts and Donations not Restricted	300	-
Investment Earnings	16,637	29,954
Gain on Sale of Capital Assets	-	9,825
Miscellaneous	101,626	189,550
Total General Revenues	<u>13,285,192</u>	<u>13,304,976</u>
Total Revenues	<u>16,399,913</u>	<u>17,663,471</u>
Program Expenses		
Instruction:		
Regular	7,221,706	7,457,590
Special	2,118,382	2,418,877
Other	22,913	9,746
Support Services:		
Pupil	743,709	699,162
Instructional Staff	1,040,635	983,035
Board of Education	17,415	20,272
Administration	1,816,985	2,063,273
Fiscal	356,099	396,528
Operation and Maintenance of Plant	1,665,538	1,815,796
Pupil Transportation	1,164,316	1,342,226
Central	214,700	114,004
Operation of Non-Instructional Services	645,288	612,134
Extracurricular Activities	421,060	436,061
Intergovernmental	48,000	52,800
Interest and Fiscal Charges	45,894	50,511
Total Expenses	<u>17,542,640</u>	<u>18,472,015</u>
Decrease in Net Assets	<u>(1,142,727)</u>	<u>(808,544)</u>
Net Assets, Beginning of Year	<u>28,865,952</u>	<u>29,674,496</u>
Net Assets, End of Year	<u>\$ 27,723,225</u>	<u>\$ 28,865,952</u>

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The decrease in Operating Grants and Contributions is due primarily to decreases in the Race to the Top, Title VI-B, State Fiscal Stabilization, and Title I programs. This decrease in monies resulted in a decrease to regular and special instruction in relation to these programs. The decrease in Grants and Entitlements not restricted was due to a decrease in foundation receipts. The increase in the Property Taxes was the result of increased collections. The overall decrease in expenses is due to close budgetary monitoring by the School District as a result of the aforementioned reductions in revenues.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2012		2011	
Program Expenses				
Instruction:				
Regular	\$ 7,221,706	\$ 6,434,870	\$ 7,457,590	\$ 6,558,664
Special	2,118,382	1,436,624	2,418,877	1,279,386
Other	22,913	21,723	9,746	9,254
Support Services:				
Pupil	743,709	682,446	699,162	628,684
Instructional Staff	1,040,635	701,642	983,035	566,926
Board of Education	17,415	16,510	20,272	19,248
Administration	1,816,985	1,722,624	2,063,273	1,964,656
Fiscal	356,099	324,088	396,528	363,021
Operation and Maintenance of Plant	1,665,538	1,441,417	1,815,796	1,208,527
Pupil Transportation	1,164,316	1,090,908	1,342,226	1,283,649
Central	214,700	205,358	114,004	101,585
Operation of Non-Instructional Services	645,288	23,071	612,134	(156,278)
Extracurricular Activities	421,060	267,953	436,061	237,072
Intergovernmental	48,000	12,791	52,800	(1,385)
Interest and Fiscal Charges	45,894	45,894	50,511	50,511
Total	<u>\$ 17,542,640</u>	<u>\$ 14,427,919</u>	<u>\$18,472,015</u>	<u>\$ 14,113,520</u>

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

THE SCHOOL DISTRICT FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$16,641,086 and expenditures and other financing uses of \$16,831,712. The School District remains financially stable in terms of healthy carryovers, ability to pay bills, and has no current operating levy needs.

The fund balance of the General fund decreased \$87,133. This fund balance decrease is due to transfers to the Internal Service Fund during 2012.

The fund balance of the Bond and Coupon Fund increased by \$55,970 as revenues exceeded debt service payments.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2012, the School District amended its General Fund budget.

For the General Fund, final budget basis revenue was \$13,645,502, which was below original estimates of \$14,039,328. The decrease was attributed to a decrease to intergovernmental revenues. For the General Fund, final budget basis expenditures were \$14,287,498, which was above original estimates of \$13,485,374. The increase was due to an increase in instruction appropriations which were partially offset by a decrease in capital outlay and transfers out appropriations.

The School District's ending unobligated General Fund cash balance was \$6,414,332.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the School District had \$22,039,710 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, library books and textbooks, and infrastructure. For additional information on capital assets, see Note 8 to the basic financial statements. Table 4 shows fiscal year 2012 balances compared to 2011.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2012	2011
Land and Land Improvements	\$ 2,705,559	\$ 2,859,874
Buildings and Improvements	18,679,584	19,543,893
Furniture and Equipment	254,921	381,285
Vehicles	289,564	389,206
Library Books and Textbooks	-	4,694
Infrastructure	110,082	113,069
Totals	\$ 22,039,710	\$ 23,292,021

Changes are a result of current year additions and depreciation.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Debt

At June 30, 2012, the School District had general obligation refunding bonds outstanding of \$655,000, of which \$55,000 is due within one year. The bonds were issued to refund the classroom facilities general obligation bonds for school construction. The School District also had a capital lease obligation outstanding of \$927,352 of which \$63,170 is due within one year. The lease proceeds were used to finance the installation, construction and repair of energy conservation equipment. For additional information on debt, see Notes 12 and 13 to the basic financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Megan Williams, Treasurer, at Scioto Valley Local School District, P.O. Box 600, Piketon, Ohio 45661.

Scioto Valley Local School District
Statement of Net Assets
June 30, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 8,581,239
Cash with Fiscal Agents	20,000
Accrued Interest Receivable	5,505
Accounts Receivable	48,192
Intergovernmental Receivable	391,872
Property Taxes Receivable	2,786,390
Non-Depreciable Capital Assets	830,500
Depreciable Capital Assets, Net	21,209,210
<i>Total Assets</i>	33,872,908
Liabilities	
Accounts Payable	55,026
Accrued Wages and Benefits Payable	1,256,919
Matured Compensated Absences Payable	36,209
Accrued Interest Payable	2,194
Matured Bonds and Interest Payable	20,000
Claims Payable	160,000
Deferred Revenue	1,907,472
Intergovernmental Payable	446,420
Long-Term Liabilities:	
Due Within One Year	212,776
Due In More Than One Year	2,052,667
<i>Total Liabilities</i>	6,149,683
Net Assets	
Invested in Capital Assets, Net of Related Debt	20,457,358
Restricted for:	
Capital Projects	68,847
Debt Service	1,310,187
Set Asides	161,461
Classroom Facilities and Maintenance	302,243
Other Purposes	44,956
Unrestricted	5,378,173
<i>Total Net Assets</i>	\$ 27,723,225

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 7,221,706	\$ 284,593	\$ 502,243	\$ (6,434,870)
Special	2,118,382	66,465	615,293	(1,436,624)
Other	22,913	1,190	-	(21,723)
Support Services:				
Pupil	743,709	36,906	24,357	(682,446)
Instructional Staff	1,040,635	32,198	306,795	(701,642)
Board of Education	17,415	905	-	(16,510)
Administration	1,816,985	94,361	-	(1,722,624)
Fiscal	356,099	17,467	14,544	(324,088)
Operation and Maintenance of Plant	1,665,538	73,748	150,373	(1,441,417)
Pupil Transportation	1,164,316	58,331	15,077	(1,090,908)
Central	214,700	5,381	3,961	(205,358)
Operation of Non-Instructional Services				
	645,288	162,910	459,307	(23,071)
Extracurricular Activities	421,060	86,201	66,906	(267,953)
Intergovernmental	48,000	-	35,209	(12,791)
Interest and Fiscal Charges	45,894	-	-	(45,894)
<i>Total Governmental Activities</i>	<u>\$ 17,542,640</u>	<u>\$ 920,656</u>	<u>\$ 2,194,065</u>	<u>(14,427,919)</u>
General Revenues				
Property Taxes Levied for:				
				2,070,258
				43,936
Grants and Entitlements not Restricted to Specific Programs				
				11,052,435
Gifts and Donations not Restricted to Specific Programs				
				300
Investment Earnings				
				16,637
Miscellaneous				
				101,626
<i>Total General Revenues</i>				<u>13,285,192</u>
<i>Change in Net Assets</i>				(1,142,727)
<i>Net Assets Beginning of Year</i>				<u>28,865,952</u>
<i>Net Assets End of Year</i>				<u>\$ 27,723,225</u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Bond and Coupon Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 6,629,455	\$ 1,310,187	\$ 480,136	\$ 8,419,778
Cash with Fiscal Agents	-	20,000	-	20,000
Receivables:				
Accrued Interest	5,505	-	-	5,505
Property Taxes	2,728,449	-	57,941	2,786,390
Accounts	47,367	-	825	48,192
Intergovernmental	36,972	-	354,900	391,872
Restricted Assets:				
Equity in Pooled Cash and Investments	161,461	-	-	161,461
<i>Total Assets</i>	<u>\$ 9,609,209</u>	<u>\$ 1,330,187</u>	<u>\$ 893,802</u>	<u>\$ 11,833,198</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 54,426	\$ -	\$ 600	\$ 55,026
Accrued Wages and Benefits Payable	1,005,686	-	251,233	1,256,919
Matured Compensated Absences Payable	36,209	-	-	36,209
Matured Bonds and Interest Payable	-	20,000	-	20,000
Intergovernmental Payable	402,973	-	43,447	446,420
Deferred Revenue	2,349,362	-	214,747	2,564,109
<i>Total Liabilities</i>	<u>3,848,656</u>	<u>20,000</u>	<u>510,027</u>	<u>4,378,683</u>
Fund Balances				
Restricted	161,461	1,310,187	416,046	1,887,694
Assigned	315,609	-	-	315,609
Unassigned	5,283,483	-	(32,271)	5,251,212
<i>Total Fund Balances</i>	<u>5,760,553</u>	<u>1,310,187</u>	<u>383,775</u>	<u>7,454,515</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 9,609,209</u>	<u>\$ 1,330,187</u>	<u>\$ 893,802</u>	<u>\$ 11,833,198</u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

Total Governmental Fund Balances		\$7,454,515
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,039,710
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	491,334	
Intergovernmental	165,303	
Total	656,637	656,637
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(160,000)
Long-term liabilities, including bonds, capital leases, accrued interest, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(2,194)	
Compensated Absences	(683,091)	
Capital Lease Obligations	(927,352)	
General Obligation Refunding Bonds	(655,000)	
Total	(2,267,637)	(2,267,637)
Net Assets of Governmental Activities		\$27,723,225

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond and Coupon Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,062,563	\$ -	\$ 44,856	\$ 2,107,419
Intergovernmental	10,928,015	134,870	2,293,971	13,356,856
Investment Earnings	16,598	-	39	16,637
Rent	1,643	-	-	1,643
Tuition and Fees	651,898	-	-	651,898
Extracurricular Activities	30,847	-	73,358	104,205
Gifts and Donations	300	-	6,831	7,131
Customer Sales and Services	-	-	162,910	162,910
Miscellaneous	100,832	-	794	101,626
<i>Total Revenues</i>	<u>13,792,696</u>	<u>134,870</u>	<u>2,582,759</u>	<u>16,510,325</u>
Expenditures				
Current:				
Instruction:				
Regular	5,548,436	-	662,452	6,210,888
Special	1,282,966	-	786,254	2,069,220
Other	22,913	-	-	22,913
Support Services:				
Pupil	709,296	-	33,206	742,502
Instructional Staff	618,807	-	395,282	1,014,089
Board of Education	17,415	-	-	17,415
Administration	1,818,728	-	-	1,818,728
Fiscal	337,777	-	19,828	357,605
Operation and Maintenance of Plant	1,418,267	-	216,623	1,634,890
Pupil Transportation	1,127,210	-	-	1,127,210
Central	103,595	-	5,400	108,995
Operation of Non-Instructional Services	-	-	614,726	614,726
Extracurricular Activities	247,190	-	91,212	338,402
Capital Outlay	45,510	-	-	45,510
Debt Service:				
Principal	61,931	50,000	-	111,931
Interest and Fiscal Charges	17,161	28,900	-	46,061
Intergovernmental	-	-	48,000	48,000
<i>Total Expenditures</i>	<u>13,377,202</u>	<u>78,900</u>	<u>2,872,983</u>	<u>16,329,085</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>415,494</u>	<u>55,970</u>	<u>(290,224)</u>	<u>181,240</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	130,761	130,761
Operating Transfers Out	(502,627)	-	-	(502,627)
<i>Total Other Financing Sources (Uses)</i>	<u>(502,627)</u>	<u>-</u>	<u>130,761</u>	<u>(371,866)</u>
<i>Net Change in Fund Balances</i>	(87,133)	55,970	(159,463)	(190,626)
<i>Fund Balances Beginning of Year</i>	<u>5,847,686</u>	<u>1,254,217</u>	<u>543,238</u>	<u>7,645,141</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,760,553</u>	<u>\$ 1,310,187</u>	<u>\$ 383,775</u>	<u>\$ 7,454,515</u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds (\$190,626)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.

Capital Asset Additions	70,003	
Current Year Depreciation	(1,322,314)	
Total	(1,252,311)	(1,252,311)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	6,775	
Intergovernmental	(117,187)	
Total	(110,412)	(110,412)

Repayment of bond and lease principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

111,931

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

319,027

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in Compensated Absences	(20,503)	
Decrease in Interest Payable	167	
Total	(20,336)	(20,336)

Net Change in Net Assets of Governmental Activities (\$1,142,727)

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$ 14,039,328	\$ 13,645,502	\$ 13,645,527	\$ 25
Total Expenditures and Other Uses	<u>13,485,374</u>	<u>14,287,498</u>	<u>14,287,498</u>	<u>-</u>
Net Change in Fund Balance	553,954	(641,996)	(641,971)	25
Fund Balance, July 1, 2011	6,902,741	6,902,741	6,902,741	-
Prior Year Encumbrances Appropriated	<u>153,562</u>	<u>153,562</u>	<u>153,562</u>	<u>-</u>
Fund Balance, June 30, 2012	<u>\$ 7,610,257</u>	<u>\$ 6,414,307</u>	<u>\$ 6,414,332</u>	<u>\$ 25</u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Fund Net Assets
Governmental Activities - Internal Service Fund
June 30, 2012

	<u>Internal Service Fund</u>
Liabilities	
Current Liabilities:	
Claims Payable	<u>160,000</u>
<i>Total Liabilities</i>	<u>160,000</u>
Net Assets	
Unrestricted	<u><u>\$ (160,000)</u></u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
*Statement of Revenues, Expenses and
 Changes In Fund Net Assets*
 Governmental Activities - Internal Service Fund
 For the Fiscal Year Ended June 30, 2012

	Internal Service Fund
Operating Revenues	
Charges for Services	\$ 3,040,209
<i>Total Operating Revenues</i>	3,040,209
Operating Expenses	
Purchased Services	723,738
Claims Expense	2,369,310
<i>Total Operating Expenses</i>	3,093,048
Operating Loss Before Transfers	(52,839)
Transfers-In	371,866
<i>Net Change in Net Assets</i>	319,027
<i>Net Assets at Beginning of Year</i>	(479,027)
<i>Net Assets at End of Year</i>	\$ (160,000)

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Cash Flows
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2012

	Internal Service Fund
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
<i>Cash Flows for Operating Activities:</i>	
Cash Received from Transactions with Other Funds	\$ 3,040,975
Cash Payments to Suppliers for Services	(723,738)
Cash Payments for Claims	(2,871,310)
<i>Net Cash Used for Operating Activities</i>	(554,073)
<i>Cash Flows from Non-capital Financing Activities:</i>	
Transfers-In	371,866
<i>Net Decrease in Cash and Cash Equivalents</i>	(182,207)
<i>Cash and Cash Equivalents at Beginning of Year</i>	182,207
<i>Cash and Cash Equivalents at End of Year</i>	\$ -
<i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i>	
Operating Loss	\$ (52,839)
<i>Changes in Assets and Liabilities:</i>	
Decrease in Accounts Receivable	766
Decrease in Claims Payable	(502,000)
Total Adjustments	(501,234)
<i>Net Cash Used for Operating Activities</i>	\$ (554,073)

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2012

Assets	
Equity in Pooled Cash and Investments	<u>\$ 18,391</u>
<i>Total Assets</i>	<u>18,391</u>
Liabilities	
Undistributed Monies	<u>18,391</u>
<i>Total Liabilities</i>	<u><u>\$ 18,391</u></u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Scioto Valley Local School District (the "School District") operates under a locally-elected Board form of government and provides educational services as authorized by state or federal agencies. This Board controls the School District's four instructional/support facilities staffed by 94 non-certificated employees and 105 certificated full-time teaching personnel who provide services to 1,574 students and other community members.

Scioto Valley Local School District was established in January, 1960 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms. The School District serves an area of approximately 132.54 square miles. It is located in Pike County, including all of the Village of Piketon, Ohio, and portions of Camp Creek, Scioto, Seal, Sunfish, Pee Pee, and Newton Townships.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For 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 following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Village of Piketon
- Parent Teacher Organization
- Ross-Pike County Educational Service District

The School District is associated with two organizations which are defined as jointly governed organizations. These organizations are the South Central Ohio Computer Association and the Pike County Joint Vocational School. These organizations are presented in Note 14 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Scioto Valley Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation

The School District's basic financial statements consist of government-wide 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.

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 activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental and those that are classified as business-type. However, the School District has no activities that are classified as business-type.

The statement of net assets presents the financial condition of governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements:

During the 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 fund financial statements is on major funds rather than reporting funds by type. 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 fund 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 used by the School District can be classified using three categories: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund

The General Fund is the general operating fund of the School District and is used to account for all financial resources not account for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond and Coupon Fund

The Bond and Coupon Fund is a debt service fund used to account for the accumulation of financial resources restricted, committed, or assigned for the payment of general long-term debt. The major source of revenue for this fund is tax levy proceeds.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund

The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee medical and dental claims.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The School District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of the proprietary activity.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for proprietary and fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, interest, tuition, grants, and fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts from the certificate of estimated resources in effect when the permanent appropriations were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over 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 Investments

To improve cash management, all 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. Each fund's interest in the pool is presented as Equity in Pooled Cash and Investments on the financial statements.

During fiscal year 2012, the School District had investments in federal agency securities and money markets.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2012 amounted to \$16,598 to the General Fund and \$39 to the other non-major governmental funds.

For purposes of presentation on the financial statements, investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

The School District has \$20,000 in a bank account set aside for matured bonds and interest payable which is recorded as "Cash with Fiscal Agents."

The School District has recorded restricted cash in the basic financial statements for set asides for capital improvements. This cash is recorded in the basic financial statements as "restricted equity in pooled cash and investments". For more information on these set asides, see Note 15.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets, except land, are depreciated. Depreciable capital assets are depreciated using the straight-line method over an estimated useful life of 50 years for buildings and improvements, 5 to 15 years for furniture and equipment, 10 to 25 years for land improvements, 5 years for textbooks and library books, 6 to 10 years for vehicles and 5 years for infrastructure.

G. Interfund Activity

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. Interfund transfers within governmental activities are eliminated in the statement of activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services to the various funds to cover the costs of the self insurance program. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activities of the fund.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities, that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds are recognized as a liability on the government-wide financial statements when due.

K. Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation 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, instruction, support services, and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Of the School District's \$1,887,694 in restricted net assets, none is restricted by enabling legislation.

N. Interfund Balances

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as either "due to/from other funds" or as "interfund receivable/payable." All unpaid reimbursements between funds are report as "due to/from other funds". These amounts are eliminated in the governmental activities column of the statement of net assets.

NOTE 3 – ACCOUNTABILITY

At June 30, 2012, the Lunchroom, Education Jobs, and ATIP Non-major Special Revenue Funds had fund balance deficits of \$9,014, \$20,974, and \$2,283, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis); and
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$ (87,133)
Revenue Accruals	(109,123)
Expenditure Accruals	(88,111)
Perspective Difference:	
Activity of Funds Reclassed for GAAP Reporting Purposes	2,517
Encumbrances	<u>(360,121)</u>
Budget Basis	<u>\$ (641,971)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2012, the School District's bank balance of \$1,396,075 was either covered by the FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments As of June 30, 2012, the School District had the following investments:

	Fair Value	Less than 12 months	1-2 Years	3-5 Years
Federal Home Loan Mtg. Assoc. Notes	\$1,998,925	\$1,998,925	\$0	\$0
Federal Home Loan Bank Notes	2,676,353	395,286	2,281,067	0
Federal National Mtg. Assoc. Notes	2,595,042	780,638	887,605	926,799
Money Market	8,543	0	8,543	0
Total Investment Portfolio	<u>\$7,278,863</u>	<u>\$3,174,849</u>	<u>\$3,177,215</u>	<u>\$926,799</u>

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District’s investment policy does not address credit risk beyond the requirements of State law. The School District limits their investments to securities issued by federal government agencies or instrumentalities, and money market accounts. Investments in Federal Home Loan Mortgage Association Notes, Federal Home Loan Bank Notes, and Federal National Mortgage Association Notes, were rated AAA by Standard & Poor’s and Aaa by Moody’s. Investments in money markets were rated AAA by Standard & Poor’s and Aaa by Moody’s.

Concentration of credit risk – The School District’s investment policy allows investments in: United States Treasury bills, notes, bonds or any other obligations issued by the United States Treasury; bonds, notes, debentures of any other obligations issued by federal government agencies; interim deposits to the extent that they are properly insured and collateralized; bonds and other obligations of the State; no-load money market mutual funds provided that investments in securities are made only through eligible financial institutions; written repurchase agreements; maximum of twenty five percent of the School District’s interim funds in commercial paper and/or bankers acceptances of banks that are insured by the FDIC; STAR Ohio; and certificates of deposit.

The School District has invested in securities issued by federal government agencies or instrumentalities. 99.9 percent of the School District’s investments are in federal government agencies or instrumentalities; Federal Home Loan Mortgage Association Notes comprised 27.5 percent of these investments, Federal Home Loan Bank Notes comprised 36.8 percent, and Federal National Mortgage Association Notes comprised 35.7 percent. The remaining amount was invested in Money Market accounts.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District’s securities are either insured and registered in the name of the School District or at least registered in the name of the School District.

NOTE 6 - PROPERTY TAXES

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 6 - PROPERTY TAXES (continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$84,421,600	81.95%	\$93,799,440	80.00%
Public Utility	18,383,270	17.85%	23,173,730	20.00%
Tangible Personal Property	207,910	0.20%	0	0.00%
Total Assessed Value	\$103,012,780	100.00%	\$116,973,170	100.00%
Tax rate per \$1,000 of assessed valuation	\$27.61		\$27.60	

The School District receives property taxes from Pike County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2012 and for which there is an enforceable legal claim.

Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2012, was \$157,315 in the General Fund and \$2,840 in the Classroom Facilities Maintenance Nonmajor Special Revenue Fund.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012, consisted of property taxes, interfund, interest, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Fund	Amount
General Fund	\$36,972
<i>Non-Major Special Revenue Funds:</i>	
Title I	139,214
Race to the Top	133,799
Education Jobs	53,433
Title II-A	11,598
IDEA Special Education Part B	16,856
Total Non-Major Funds	354,900
Total All Funds	\$391,872

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	Ending Balance 06/30/11	Additions	Deletions	Ending Balance 06/30/12
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 830,500	\$ -	\$ -	\$ 830,500
Total Capital Assets, Not Being Depreciated	830,500	-	-	830,500
Capital Assets Being Depreciated				
Land Improvements	4,014,698	31,300	-	4,045,998
Buildings and Improvements	32,256,572	14,210	-	32,270,782
Furniture and Equipment	1,204,621	24,493	-	1,229,114
Vehicles	2,353,160	-	-	2,353,160
Library Books and Textbooks	399,872	-	-	399,872
Infrastructure	149,342	-	-	149,342
Total Capital Assets, Being Depreciated	40,378,265	70,003	-	40,448,268
Less Accumulated Depreciation:				
Land Improvements	(1,985,324)	(185,615)	-	(2,170,939)
Buildings and Improvements	(12,712,679)	(878,519)	-	(13,591,198)
Furniture and Equipment	(823,336)	(150,857)	-	(974,193)
Vehicles	(1,963,954)	(99,642)	-	(2,063,596)
Library Books and Textbooks	(395,178)	(4,694)	-	(399,872)
Infrastructure	(36,273)	(2,987)	-	(39,260)
Total Accumulated Depreciation	(17,916,744)	(1,322,314)	-	(19,239,058)
Total Capital Assets Being Depreciated, Net	22,461,521	(1,252,311)	-	21,209,210
Governmental Activities Capital Assets, Net	\$ 23,292,021	\$ (1,252,311)	\$ -	\$22,039,710

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 8 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	1,015,531
Support Services:		
Instructional Staff		2,532
Administration		396
Operation and Maintenance of Plant		55,005
Pupil Transportation		41,366
Central		105,705
Operation of Non-Instructional Services		19,121
Extracurricular Activities		82,658
Total Depreciation Expense	<u>\$</u>	<u>1,322,314</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with Ohio School Plan for property and fleet insurance, professional liability insurance and inland marine coverage. Total coverage amounted to \$46,906,201 with a \$1,000 deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District did not have any significant reduction in insurance coverages for the current year.

Medical/surgical and dental insurance is offered to employees through a self-insurance program. The claims liability of \$160,000 reported in the Internal Service Fund at June 30, 2012 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

Changes in claims payable for the past two fiscal years are as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2011	\$176,000	\$2,802,141	\$2,316,141	\$662,000
2012	662,000	2,369,310	2,871,310	160,000

NOTE 10 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website, www.ohsers.org, under *Employers/Audit Resources*.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 10- DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

A. Defined Benefit Pension Plans - Continued

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$247,658, \$312,893, and \$286,181, respectively; 56 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. \$99,767 represents the unpaid contribution for fiscal year 2012 and is recorded as a liability within the respective funds.

State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan 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.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 10- DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

A. Defined Benefit Pension Plans - Continued

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years’ 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2012, 2011, and 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District’s contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$801,823, \$816,407, and \$782,496, respectively; 84 percent of the required contribution has been made for fiscal year 2012 and 100 percent of the required contribution has been made for fiscal years 2011 and 2010. \$130,594 represents the unpaid contribution for fiscal year 2012 and is recorded as a liability within the respective funds.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, none of the members of the Board of Education has elected Social Security. The Board’s liability is 6.2 percent of wages paid.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 10 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS
(continued)

B. Postemployment Benefits

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011 and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$62,465, \$62,721, and \$60,192, for fiscal years 2012, 2011, and 2010, respectively, which equaled the required allocation for each year.

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2012, 2011, and 2010, the actuarially required allocation was 0.75 percent, 0.76 percent, and 0.76 percent. For the School District, contributions for the years ended June 30, 2012, 2011, and 2010, were \$18,116, \$19,179, and \$17,019, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 10 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS
(continued)

B. Postemployment Benefits - Continued

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e).

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2012, 2011, and 2010, the health care allocations were 0.55 percent, 1.43 percent, and 0.46 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2012, 2011, and 2010 fiscal years equaled \$50,872, \$74,530, and \$41,184, respectively, which equaled the required allocation for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement and after being employed by the School District for three years, payment is made for twenty-five percent for classified employees and twenty-five percent for certified employees of accrued, but unused sick leave credit, up to a maximum of forty-five days.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through American United Life.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Principal Outstanding 06/30/11	Additions	Deductions	Principal Outstanding 06/30/12	Due Within One Year
Refunding Bonds - 2005 - 4.25%	\$ 705,000	\$ -	\$ 50,000	\$ 655,000	\$ 55,000
Capital Leases	989,283	-	61,931	927,352	63,170
Compensated Absences	662,588	681,194	660,691	683,091	94,606
Total Long-Term Obligations	<u>\$ 2,356,871</u>	<u>\$ 681,194</u>	<u>\$ 772,622</u>	<u>\$ 2,265,443</u>	<u>\$ 212,776</u>

On June 29, 2005, the Scioto Valley Local School District issued \$975,000 in refunding bonds at an annual interest rate of 4.25%. The bonds were issued for a 16 year period with the final maturity date being December 1, 2021. The bonds will be paid from property tax revenues received in the Bond Retirement Fund.

In connection with refunding bonds, the School District has pledged future tax revenues to repay this debt. However, the Debt Service funds on hand are sufficient to repay these bonds over the life of the refunding bonds.

Compensated absences will be paid from the fund from which the employees' salaries are paid, with the General Fund being the most significant.

The School District's voted legal debt margin was \$9,872,585 with an unvoted debt margin of \$116,973 at June 30, 2012.

Principal and interest requirements to retire general obligation debt outstanding June 30, 2012, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$55,000	\$26,669	\$81,669
2014	55,000	24,331	79,331
2015	60,000	21,888	81,888
2016	60,000	19,338	79,338
2017	65,000	16,681	81,681
2018-2022	360,000	39,738	399,738
Totals	<u>\$655,000</u>	<u>\$148,645</u>	<u>\$803,645</u>

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 13 – LEASE OBLIGATION

During a previous fiscal year, the School District entered into a lease for the installation, construction, and repair of energy conservation equipment. The lease is being paid from the General Fund. The annual requirements to amortize the lease obligation outstanding as of June 30, 2012 are as follows:

Year Ending June 30	Amount
2013	\$81,545
2014	82,808
2015	84,096
2016	85,412
2017	86,752
2018-2022	454,828
2023-2025	290,786
Total	1,166,227
Less: Amount Representing Interest	(238,875)
Present Value of Net Minimum Lease Payments	\$ 927,352

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Jackson, Vinton, Pickaway, Gallia, Ross and Lawrence 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 SCOCA consists of two representatives from each county, elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter school districts, and one representative from the fiscal agent. The School District paid SCOCA \$106,316 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School, at P. O. Box 577, 23365 St. Rt. 124, Piketon, Ohio 45661.

The Pike County Joint Vocational School - The Pike County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of the Pike County Board of Education and two representatives from the Waverly City Schools Board of Education, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 15 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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 for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Improvements</u>
Set-aside Reserve Balance June 30, 2011	\$60,854
Current year set-aside requirement	272,054
Current year offsets	(125,937)
Current Year Qualifying Expenditures	<u>(45,510)</u>
Balance Carried Forward to Fiscal Year 2013	<u>\$161,461</u>
Set-aside Reserve Balance June 30, 2012	<u><u>\$161,461</u></u>

Effective July 1, 2011, the textbook reserve requirement was eliminated; therefore, no balance or other information is presented.

NOTE 16 - CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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 are 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 17 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2012, were as follows:

<u>Fund</u>	<u>Transfer From</u>	<u>Transfer To</u>
Major Fund:		
General	\$502,627	\$0
Non-major Special Revenue Funds:		
Lunchroom	0	120,000
Athletic Fund	0	10,761
Total Non-major Funds	0	130,761
Internal Service Fund	0	371,866
 Total All Funds	 \$502,627	 \$502,627

The transfers were made from the General Fund (a major fund) to other funds to provide support for operating activities of those funds.

NOTE 18 - DEFERRED COMPENSATION

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 19 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Bond and Coupon</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for				
Other Purposes	\$0	\$0	\$44,990	\$44,990
Classroom Maintenance	0	0	302,243	302,243
Debt Services Payments	0	1,310,187	0	1,310,187
Capital Improvements	161,461	0	68,813	230,274
Total Restricted	<u>161,461</u>	<u>1,310,187</u>	<u>416,046</u>	<u>1,887,694</u>
Assigned to				
Other Purposes	315,609	0	0	315,609
Unassigned (Deficit)	<u>5,283,483</u>	<u>0</u>	<u>(32,271)</u>	<u>5,251,212</u>
Total Fund Balances	<u>\$5,760,553</u>	<u>\$1,310,187</u>	<u>\$383,775</u>	<u>\$7,454,515</u>

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 20 – SUBSEQUENT EVENTS

South Central Ohio Computer Association Council of Governments – Effective July 1, 2012, the School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG) which is a computer consortium formerly known as South Central Ohio Computer Association (SCOCA). SCOCACoG is a council of governments providing computer services to its members of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence 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.

Scioto Valley Local School District
Pike County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 316,852	\$ 31,406	\$ 316,852	\$ 31,406
School Breakfast Program	3L70	10.553	135,503	-	135,503	-
Total Nutrition Cluster			452,355	31,406	452,355	31,406
Total United States Department of Agriculture			452,355	31,406	452,355	31,406
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	628,824	-	633,857	-
Title I Grants to Local Education Agencies, ARRA	3DK0	84.389	29,032	-	29,404	-
Total Title I, Part A Cluster			657,856	-	663,261	-
<i>Special Education Cluster (IDEA):</i>						
Special Education - Grants to States	3M20	84.027	313,204	-	320,165	-
Special Education - Grants to States, ARRA	3DJ0	84.391	12,306	-	12,306	-
Total Special Education Cluster			325,510	-	332,471	-
<i>Education Technology State Grants Cluster:</i>						
Education Technology State Grants	3S20	84.318	4,246	-	4,246	-
Total Education Technology State Grants Cluster			4,246	-	4,246	-
Rural Education	3Y80	84.358	29,437	-	29,437	-
Improving Teacher Quality State Grants	3Y60	84.367	114,191	-	114,167	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	191,035	-	181,615	-
Education Jobs Fund	3ET0	84.410	527,862	-	517,009	-
Total United States Department of Education			1,850,137	-	1,842,206	-
Total Federal Financial Assistance			<u>\$ 2,302,492</u>	<u>\$ 31,406</u>	<u>\$ 2,294,561</u>	<u>\$ 31,406</u>

See accompanying notes to the schedule of federal awards receipts and expenditures.

**SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY**

Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board of Education
Scioto Valley Local School District
1414 Piketon Road
Piketon, OH 45661

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scioto Valley Local School District, Pike County, (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 19, 2012. 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' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

Members of the Board of Education
Scioto Valley Local School District
Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management, members of the Board, federal awarding agencies, others within the School District, and pass-through entities. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 19, 2012



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board of Education
Scioto Valley Local School District
1414 Piketon Road
Piketon, OH 45661

Compliance

We have audited the compliance of Scioto Valley Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of the Scioto Valley Local School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Scioto Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

**Internal Control Over Compliance
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management, members of the Board of Education, federal awarding agencies, other within the School District, and pass-through entities. It is not intended for anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 19, 2012

Scioto Valley Local School District
Schedule of Findings
OMB Circular A-133 Section .505
For The Fiscal Year Ended June 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Education Jobs Fund, CFDA# 84.410 State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, ARRA, CFDA# 84.395
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Scioto Valley Local School District
Schedule of Findings
OMB Circular A-133 Section .505
(Continued)
For The Fiscal Year Ended June 30, 2012

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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Independent Auditor's Report on Applying Agreed-Upon Procedure

Members of the Board of Education
Scioto Valley Local School District
1414 Piketon Road
Piketon, OH 45661

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Scioto Valley Local School District (the School District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Revised Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 19, 2012



Dave Yost • Auditor of State

SCIOTO VALLEY LOCAL DISTRICT

PIKE 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
JANUARY 17, 2013