

Scioto Valley Local School District

Pike County

Single Audit

July 1, 2002 through June 30, 2003

Fiscal Year Audited Under GAGAS: 2003

BALESTRA, HARR & SCHERER, CPAS, INC.
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**Auditor of State
Betty Montgomery**

Board of Education
Scioto Valley Local School District
P.O. Box 600
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, 2002 through June 30, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 11, 2004

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Scioto Valley Local School District
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Board

Scioto Valley Local School District

P.O. Box 600

Piketon, Ohio 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 (the School District), Pike County, as of and for the year ended June 30, 2003, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the 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 School District, as of June 30, 2003, and the respective changes in financial position thereof, and the respective 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 February 5, 2004, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the basic financial statements, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.
February 5, 2004

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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, 2003. 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 2003 are as follows:

- Net assets of governmental activities decreased \$1,925,132.
- General revenues accounted for \$8,679,300 in revenue or 74% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$3,104,944 or 26% of total revenues of \$11,784,244.
- The School District had \$13,709,376 in expenses related to governmental activities; only \$3,104,944 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$8,679,300 offset all but \$1,925,132 of the cost for these programs.
- The School District has three major funds; the General Fund, the Debt Service Fund and the Classroom Facilities Capital Projects Fund. The General Fund had \$9,035,959 in revenues and \$12,320,236 in expenditures. The General Fund's balance decreased \$3,667,021 with approximately \$1.76 million being due to capital improvements. The Debt Service Fund had \$387,922 in revenues and \$416,004 in expenditures. The Debt Service Fund's balance decreased \$28,082. The Classroom Facilities Capital Projects Fund had \$85,095 in revenues and \$6,163,632 in expenditures. The Classroom Facilities Capital Projects Fund's balance decreased by \$5,702,243 due to the capital improvement expenditures made during fiscal year 2003.

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 Scioto Valley Local 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.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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.

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 2003?" 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 7. Fund financial reports 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, the Debt Service Fund and the Classroom Facilities Capital Projects Fund.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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.

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 2003 compared to 2002.

	Governmental Activities	
	2003	2002
Assets		
Current and Other Assets	\$19,862,749	\$32,518,975
Capital Assets	30,227,945	22,438,246
Total Assets	50,090,694	54,957,221
Liabilities		
Long-term Liabilities	3,711,092	3,678,895
Other Liabilities	7,050,397	10,023,989
Total Liabilities	10,761,489	13,702,884
Net Assets		
Invested in Capital Assets, Net of Debt	27,145,463	19,273,246
Restricted	4,656,647	10,721,677
Unrestricted	7,527,095	11,259,414
Total Net Assets	\$39,329,205	\$41,254,337

Total net assets of the District as a whole decreased \$1,925,132.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year Scioto Valley Local School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

	Governmental Activities
	2003
Revenues	
Program Revenues	
Charges for Services and Sales	\$317,342
Operating Grants and Contributions	2,787,252
Capital Grants and Contributions	350
Total Program Revenues	3,104,944
General Revenues	
Property Taxes	2,430,786
Grants and Entitlements	5,800,141
Investment Earnings	358,525
Miscellaneous	89,848
Total General Revenues	8,679,300
Total Revenues	11,784,244
Program Expenses	
Instruction:	
Regular	5,081,400
Special	1,622,796
Other	5,148
Support Services:	
Pupil	495,185
Instructional Staff	651,467
Board of Education	9,838
Administration	897,771
Fiscal	1,235,448
Operation and Maintenance of Plant	1,516,147
Pupil Transportation	1,004,405
Central	102,084
Operation of Non-Instructional Services	515,893
Extracurricular Activities	334,513
Intergovernmental	57,919
Interest and Fiscal Charges	179,362
Total Expenses	13,709,376
Decrease in Net Assets	(1,925,132)
Net Assets, Beginning of Year	41,254,337
Net Assets, End of Year	\$ 39,329,205

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings 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. Comparisons to 2002 have not been made since they are not available.

Governmental Activities

	Total Cost of Services	Net Cost of Services
	2003	2003
Program Expenses		
Instruction:		
Regular	\$5,081,400	\$4,480,899
Special	1,622,796	625,419
Other	5,148	5,148
Support Services:		
Pupil	495,185	397,165
Instructional Staff	651,467	386,546
Board of Education	9,838	9,754
Administration	897,771	875,659
Fiscal	1,235,448	1,222,658
Operation and Maintenance of Plant	1,516,147	1,498,709
Pupil Transportation	1,004,405	534,278
Central	102,084	85,560
Operation of Non-Instructional Services	515,893	53,199
Extracurricular Activities	334,513	250,076
Intergovernmental	57,919	0
Interest and Fiscal Charges	179,362	179,362
Total	<u>\$13,709,376</u>	<u>\$10,604,432</u>

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,734,796 and expenditures of \$21,404,031. As previously discussed, the School District remains financially stable in terms of healthy carryovers, our ability to pay bills, and no current operating levy needs.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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 2003, the School District amended its General Fund budget, but not significantly.

For the General Fund, budget basis revenue was \$14,230,911, above original estimates of \$12,965,797. Of this \$1,265,114 difference, most was due to receiving more in property taxes and grant monies. For the General Fund, budget basis expenditures were \$13,249,588, above original estimates of \$9,464,134. Of this \$3,785,454 difference, most was due to the increase in open enrollment.

The School District's ending unobligated General Fund balance was \$7,814,029.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2003, the School District had \$30,227,945 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. For additional information on capital assets, see Note 9 to the basic financial statements. Table 4 shows fiscal year 2003 balances compared to 2002.

(Net of Depreciation)

	Governmental Activities	
	2003	2002
Land and Land Improvements	\$2,299,392	\$2,384,461
Buildings and Improvements	20,773,559	15,267,233
Furniture and Equipment	330,218	381,914
Vehicles	722,110	664,402
Library and Textbooks	185,040	247,864
Infrastructure	13,914	14,593
Construction in Progress	5,903,712	3,477,779
Totals	\$30,227,945	\$22,438,246

Changes in capital assets from the prior year resulted from additions, disposals and depreciation.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Debt

At June 30, 2003, the School District had general obligation bonds outstanding of \$3,070,000. The bonds were issued for school construction. For additional information on debt, see Note 13 to the basic financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, 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, 2003

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$14,794,722
Cash and Cash Equivalents with Fiscal Agents	20,000
Accounts Receivable	1,130
Materials and Supplies Inventory	42,337
Intergovernmental Receivable	88,717
Prepaid Items	49,668
Property Taxes Receivable	4,462,579
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agents	107,978
Cash and Cash Equivalents with Escrow Agents	295,618
Nondepreciable Capital Assets	6,734,212
Depreciable Capital Assets, Net	23,493,733
<i>Total Assets</i>	50,090,694
Liabilities	
Accounts Payable	127,183
Contracts Payable	714,248
Accrued Wages and Benefits Payable	1,023,977
Retainage Payable	403,596
Accrued Interest Payable	12,482
Matured Bonds and Interest Payable	20,000
Claims Payable	387,473
Deferred Revenue	3,998,810
Intergovernmental Payable	362,628
Long-Term Liabilities:	
Due Within One Year	99,384
Due In More Than One Year	3,611,708
<i>Total Liabilities</i>	10,761,489
Net Assets	
Invested in Capital Assets, Net of Related Debt	27,145,463
Restricted for:	
Capital Projects	2,289,861
Debt Service	2,129,522
Other Purposes	237,264
Unrestricted	7,527,095
<i>Total Net Assets</i>	\$39,329,205

See accompanying notes to the basic financial statements

Scioto Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$5,081,400	\$33,829	\$566,322	\$350	(\$4,480,899)
Special	1,622,796	6,783	990,594	0	(625,419)
Other	5,148	0	0	0	(5,148)
Support Services:					
Pupil	495,185	7,104	90,916	0	(397,165)
Instructional Staff	651,467	2,345	262,576	0	(386,546)
Board of Education	9,838	84	0	0	(9,754)
Administration	897,771	7,099	15,013	0	(875,659)
Fiscal	1,235,448	8,290	4,500	0	(1,222,658)
Operation and Maintenance of Plant	1,516,147	14,030	3,408	0	(1,498,709)
Pupil Transportation	1,004,405	8,374	461,753	0	(534,278)
Central	102,084	4,652	11,872	0	(85,560)
Operation of Non-Instructional					
Services	515,893	156,265	306,429		(53,199)
Extracurricular Activities	334,513	68,487	15,950	0	(250,076)
Intergovernmental	57,919	0	57,919		0
Interest and Fiscal Charges	179,362	0	0	0	(179,362)
Totals	\$13,709,376	\$317,342	\$2,787,252	\$350	(10,604,432)
General Revenues					
Property Taxes Levied for:					
General Purposes					2,015,125
Debt Service					368,832
Classroom Facilities Maintenance					46,829
Grants and Entitlements not Restricted to Specific Programs					5,800,141
Investment Earnings					358,525
Miscellaneous					89,848
Total General Revenues					8,679,300
Change in Net Assets					(1,925,132)
Net Assets Beginning of Year - See Note 3					41,254,337
Net Assets End of Year					\$39,329,205

See accompanying notes to the basic financial statements

Scioto Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2003

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$9,368,373	\$2,057,500	\$2,823,610	\$545,239	\$14,794,722
Cash and Cash Equivalents with Fiscal Agents	0	20,000	0	0	20,000
Receivables:					
Property Taxes	3,562,147	789,315	0	111,117	4,462,579
Accounts	0	0	0	1,130	1,130
Intergovernmental	0	0	0	88,717	88,717
Prepaid Items	46,105	0	3,563	0	49,668
Materials and Supplies Inventory	30,212	0	0	12,125	42,337
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agents	0	0	107,978	0	107,978
Cash and Cash Equivalents with Escrow Agents	0	0	295,618	0	295,618
Total Assets	<u>\$13,006,837</u>	<u>\$2,866,815</u>	<u>\$3,230,769</u>	<u>\$758,328</u>	<u>\$19,862,749</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$109,652	\$0	\$0	\$17,531	\$127,183
Accrued Wages and Benefits Payable	794,418	0	0	229,559	1,023,977
Contracts Payable	141,706	0	572,542	0	714,248
Retainage Payable	0	0	403,596	0	403,596
Matured Bonds and Interest Payable	0	20,000	0	0	20,000
Claims Payable	387,473	0	0	0	387,473
Intergovernmental Payable	142,220	0	0	36,243	178,463
Deferred Revenue	3,391,867	757,282	0	117,359	4,266,508
Total Liabilities	<u>4,967,336</u>	<u>777,282</u>	<u>976,138</u>	<u>400,692</u>	<u>7,121,448</u>
Fund Balances					
Reserved for Encumbrances	848,483	0	2,442,345	22,072	3,312,900
Reserved for Property Taxes	120,705	22,707	0	2,778	146,190
Unreserved, Undesignated, Reported in:					
General Fund	7,070,313	0	0	0	7,070,313
Special Revenue Funds	0	0	0	297,556	297,556
Debt Service Funds	0	2,066,826	0	0	2,066,826
Capital Projects Funds	0	0	(187,714)	35,230	(152,484)
Total Fund Balances	<u>8,039,501</u>	<u>2,089,533</u>	<u>2,254,631</u>	<u>357,636</u>	<u>12,741,301</u>
Total Liabilities and Fund Balances	<u>\$13,006,837</u>	<u>\$2,866,815</u>	<u>\$3,230,769</u>	<u>\$758,328</u>	<u>\$19,862,749</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, 2003*

Total Governmental Fund Balances		\$ 12,741,301
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.		30,227,945
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	257,451	
Intergovernmental	<u>10,247</u>	
Total		267,698
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds		(184,165)
Long-Term Liabilities and related interest, including bonds, capital lease obligations, 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	(12,482)	
Compensated Absences	(641,092)	
General Obligation Bonds	<u>(3,070,000)</u>	
Total		<u>(3,723,574)</u>
Net Assets of Governmental Activities		<u><u>\$ 39,329,205</u></u>

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, 2003

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$1,977,188	\$360,403	\$0	\$46,147	\$2,383,738
Intergovernmental	6,632,878	27,519	350	1,904,300	8,565,047
Investment Earnings	273,401	0	84,745	379	358,525
Charges for Services	75,920	0	0	158,264	234,184
Tuition and Fees	7,816	0	0	0	7,816
Extracurricular Activities	0	0	0	75,342	75,342
Gifts and Donations	0	0	0	20,296	20,296
Miscellaneous	68,756	0	0	21,092	89,848
<i>Total Revenues</i>	<u>9,035,959</u>	<u>387,922</u>	<u>85,095</u>	<u>2,225,820</u>	<u>11,734,796</u>
Expenditures					
Current:					
Instruction:					
Regular	4,198,670	0	96,877	649,009	4,944,556
Special	916,591	0	0	703,513	1,620,104
Other	5,148	0	0	0	5,148
Support Services:					
Pupil	372,162	0	0	116,123	488,285
Instructional Staff	292,654	0	0	313,488	606,142
Board of Education	9,838	0	0	0	9,838
Administration	851,090	0	0	18,606	869,696
Fiscal	1,053,051	154,124	0	26,224	1,233,399
Operation and Maintenance of Plant	1,486,513	0	0	6,727	1,493,240
Pupil Transportation	1,054,681	0	0	0	1,054,681
Central	71,716	0	0	29,406	101,122
Operation of Non-Instructional Services	0	0	0	505,489	505,489
Extracurricular Activities	249,311	0	0	77,655	326,966
Intergovernmental	0	0	0	57,919	57,919
Capital Outlay	1,758,811	0	6,066,755	0	7,825,566
Debt Service:					
Principal	0	95,000	0	0	95,000
Interest and Fiscal Charges	0	166,880	0	0	166,880
<i>Total Expenditures</i>	<u>12,320,236</u>	<u>416,004</u>	<u>6,163,632</u>	<u>2,504,159</u>	<u>21,404,031</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,284,277)</u>	<u>(28,082)</u>	<u>(6,078,537)</u>	<u>(278,339)</u>	<u>(9,669,235)</u>
Other Financing Sources					
Operating Transfers In	0	0	376,294	6,450	382,744
Operating Transfers Out	(382,744)	0	0	0	(382,744)
<i>Total Other Financing Sources</i>	<u>(382,744)</u>	<u>0</u>	<u>376,294</u>	<u>6,450</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(3,667,021)</u>	<u>(28,082)</u>	<u>(5,702,243)</u>	<u>(271,889)</u>	<u>(9,669,235)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>11,706,522</u>	<u>2,117,615</u>	<u>7,956,874</u>	<u>629,525</u>	<u>22,410,536</u>
<i>Fund Balances End of Year</i>	<u>\$8,039,501</u>	<u>\$2,089,533</u>	<u>\$2,254,631</u>	<u>\$357,636</u>	<u>\$12,741,301</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, 2003*

Net Change in Fund Balances - Total Governmental Funds \$ (9,669,235)

**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 outlays in the current period.

Capital Asset Additions	8,822,769	
Current Year Depreciation	(1,033,070)	
Total	7,789,699	7,789,699

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

Taxes	47,049	
Intergovernmental	2,398	
Total	49,447	49,447

Repayment of bond 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.

95,000

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	(127,197)	
Increase in Interest Payable	(12,482)	
Increase in Intergovernmental Payable	(50,364)	
Total	(190,043)	(190,043)

Net Change in Net Assets of Governmental Activities \$ (1,925,132)

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
(Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget: Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Total Revenues and Other Sources	\$ 12,965,797	\$ 14,222,365	\$ 14,230,911	\$ 8,546
Total Expenditures and Other Uses	9,464,134	12,891,989	13,249,588	(357,599)
Net Change in Fund Balance	3,501,663	1,330,376	981,323	(349,053)
Fund Balance, July 1, 2002	6,457,178	6,457,178	6,457,178	-
Prior Year Encumbrances Appropriated	375,528	375,528	375,528	-
Fund Balance, June 30, 2003	<u>\$ 10,334,369</u>	<u>\$ 8,163,082</u>	<u>\$ 7,814,029</u>	<u>\$ (349,053)</u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$18,371</u>
Total Assets	<u><u>18,371</u></u>
Liabilities	
Undistributed Monies	<u>18,371</u>
Total Liabilities	<u><u>\$18,371</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, 2003

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 82 non-certificated employees and 104 certificated full-time teaching personnel who provide services to 1,656 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. The School District is the 347th largest in the State of Ohio (among 612 school districts) in terms of enrollment.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For 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 a jointly governed organization. These organizations are the South Central Ohio Computer Association, and Pilasco-Ross Special Education Regional Resource Center. 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, 2003

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 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 business segment or 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 this School District can be classified using two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds 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 is 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 except those required to be accounted for 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, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Fund

The Debt Service fund is a fund provided to account for the payment of long term bonds and notes of the District.

Classroom Facilities Fund

The Classroom Facilities fund is a fund provided to account for monies received and expended in connection with contracts entered into by the school district and the Ohio Department of Education for the building and equipping of classroom facilities.

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.

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 funds are agency funds. 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.

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.

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 fiduciary funds. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 7). 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, 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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, 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 in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. 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.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are based on estimates made before the end of the prior fiscal year. 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 revenues. 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.

D. Cash and Cash Equivalents

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 Cash Equivalents on the balance sheet.

During fiscal year 2003, the School District had investments in federal notes.

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 2003 amounted to \$273,401 to the General Fund, \$84,745 for the Classroom Facilities Fund, \$123 to the Auxiliary Services Fund and \$256 to the Education Foundation Fund.

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

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. During fiscal year 2003, the School District held monies for the construction of new school buildings. Retainage amounts at June 30, 2003 have been restricted and are presented as "Cash & Cash Equivalents with Fiscal Agents" and "Cash & Cash Equivalents with Escrow Agents" on the balance sheet.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption and donated commodities held for resale.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. 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 fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000, which was increased from \$1,000 effective July 1, 2002. The School District does not possess any infrastructure.

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 and construction in progress, 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.

I. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

J. 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.

K. 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 judgements, compensated absences, contractually required pension contributions 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute.

M. 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.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year 2003, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements.” GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on accrual basis of accounting and fund financial statements which present information by major funds rather than by fund type. Non-major funds are presented in total in one column.

The implementation of the Statements requires certain adjustments be recorded to the June 30, 2003, fund balances of major and non-major funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented. The School District increased its capitalization threshold from \$1,000 to \$5,000 effective July 1, 2002. The effect of this change resulted in the restatement of capital assets at July 1, 2002 as previously reported. This restatement is reflected in the total “adjustments to comply with GASB 34” shown below.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (continued)

	General	Debt Service	Classroom Facilities	Non-Major	Total
Fund Balances, June 30, 2002	\$11,362,507	\$2,117,615	\$7,956,874	\$1,023,481	\$22,460,477
Restatement Amount	344,015	0	0	(393,956)	49,941
Restated Fund Balances, June 30, 2002	\$11,706,522	\$2,117,615	\$7,956,874	\$629,525	\$22,410,536
Adjustments necessary to comply with GASB 34					18,843,801
Governmental Activities Net Assets June 30, 2002					\$41,254,337

NOTE 4 – ACCOUNTABILITY

A. Accountability - Fund Equity Deficits

At June 30, 2003, the Food Service, Summer Intervention, Chapter 1, and DPIA Special Revenue Funds had fund balance deficits of \$30,395, \$16,114, \$41,459, and \$71,709, 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 5 - 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 (Budget 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis); and
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance

	General
GAAP Basis	(\$3,667,021)
Revenue Accruals	5,194,952
Expenditure Accruals	301,875
Encumbrances	(848,483)
Budget Basis	\$981,323

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the School Districts 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.

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

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

Deposits At year end, the carrying amount of the School District's deposits was \$13,215,997 and the bank balance was \$13,316,146. Of the bank balance, \$305,785 was covered by federal depository insurance and \$13,010,361 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Money Market Mutual Funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Carrying Amount	Fair Value
<u>Investments:</u>			
Federal Notes	\$2,020,692	\$2,020,692	\$2,020,692
Total Investments	\$2,020,692	\$2,020,692	\$2,020,692

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.*

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$15,236,689	\$0
<u>Investments:</u>		
Federal Notes	(2,020,692)	2,020,692
GASB Statement 3	\$13,215,997	\$2,020,692

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 7 - 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. Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) are for calendar 2003 taxes. 2003 real property taxes are levied after April 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2003 real property taxes are collected in and intended to finance fiscal year 2004.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003 and are collected in 2004 with real property taxes. 2003 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$49,635,740	30.96%	\$54,844,190	28.62%
Public Utility	13,832,950	8.63%	14,821,680	7.74%
Tangible Personal Property	96,855,108	60.41%	121,938,760	63.64%
Total Assessed Value	\$160,323,798	100.00%	\$191,604,630	100.00%
Tax rate per \$1,000 of assessed valuation	\$32.20		\$32.20	

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, 2003, are available to finance fiscal year 2003 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, 2003 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, 2003, was \$120,705 in the General Fund, \$2,778 in the Classroom Facilities Maintenance Special Revenue Fund, and \$22,707 in the Debt Service Fund.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 8 - RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes, 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:

	<u>Amount</u>
Nonmajor Special Revenue Funds:	
Title VI-B	\$23,768
Title I	51,138
ATIP	9,768
Goals 2000 Intervention	<u>4,043</u>
Total Nonmajor Special Revenue Funds	<u>88,717</u>
Total All Funds	<u><u>\$88,717</u></u>

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2003, was as follows:

	Ending Balance 6/30/02*	Additions	Deletions	Ending Balance 6/30/03
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$830,500	\$0	\$0	\$830,500
Construction in Progress	3,477,779	5,903,712	3,477,779	5,903,712
Total Capital Assets, Not Being Depreciated	<u>4,308,279</u>	<u>5,903,712</u>	<u>3,477,779</u>	<u>6,734,212</u>
Capital Assets Being Depreciated				
Land Improvements	2,037,674	0	0	2,037,674
Buildings and Improvements	20,699,240	6,203,899	0	26,903,139
Furniture and Equipment	590,714	10,495	0	601,209
Vehicles	1,939,873	182,442	0	2,122,315
Library Books and Textbooks	618,290	0	0	618,290
Infrastructure	33,936	0	0	33,936
Total Capital Assets, Being Depreciated	<u>25,919,727</u>	<u>6,396,836</u>	<u>0</u>	<u>32,316,563</u>
Less Accumulated Depreciation:				
Land Improvements	(483,713)	(85,069)	0	(568,782)
Building and Improvements	(5,432,007)	(697,573)	0	(6,129,580)
Furniture and Equipment	(208,800)	(62,191)	0	(270,991)
Vehicles	(1,275,471)	(124,734)	0	(1,400,205)
Library Books and Textbooks	(370,426)	(62,824)	0	(433,250)
Infrastructure	(19,343)	(679)	0	(20,022)
Total Accumulated Depreciation	<u>(7,789,760)</u>	<u>(1,033,070)</u>	<u>0</u>	<u>(8,822,830)</u>
Total Capital Assets Being Depreciated, Net	<u>18,129,967</u>	<u>5,363,766</u>	<u>0</u>	<u>23,493,733</u>
Governmental Activities Capital Assets, Net	<u>\$22,438,246</u>	<u>\$11,267,478</u>	<u>(\$3,477,779)</u>	<u>\$30,227,945</u>

* Restated – see note 3

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$843,360
Special	502
Support Services:	
Pupil	40,157
Administration	10,624
Operation and Maintenance of Plant	679
Pupil Transportation	124,734
Non-Instructional Services	5,380
Extracurricular Activities	7,634
Total Depreciation Expense	<u>\$1,033,070</u>

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Nationwide Insurance Company for property and fleet insurance, professional liability insurance and inland marine coverage. Coverages provided are as follows:

Building and Contents -replacement cost (\$1,000 deductible)	\$46,573,700
Builders Risk Coverage	26,086,800
Inland Marine Coverage (\$100 deductible)	14,838
Boiler and Machinery (\$1,000 deductible)	15,000,000
Crime Insurance	2,500
Automobile Liability (\$100 deductible)	350,000
Uninsured Motorists (\$250 deductible)	1,000,000
Auto Medical Payments	3,000
General Liability	
Per occurrence	2,000,000
Total per year	2,000,000
Excess Liability	
Each Occurrence Limit, and Each Sexual Abuse Offense Limit	1,000,000
Personal and Advertising Injury Limit - Each Offense	1,000,000
General Aggregate Limit	3,000,000
Including Employers' Liability and Stop Gap Cov. Bodily Injury Limit:	
Each Accident (by accident)	1,000,000
Policy Limit (by disease)	1,000,000
Each Employee (by disease)	1,000,000
Errors and Omissions Injury Limit	1,000,000
Aggregate Errors and Omissions Injury Limit	2,000,000
Defense Cost Cap	1,000,000
Employee Benefits - Offense Limit	1,000,000
Employee Benefits - Aggregate Limit	3,000,000

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

Medical/surgical and dental insurance is offered to employees through a self-insurance program. The claims liability of \$387,473 reported in the General Fund at June 30, 2003 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.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 - RISK MANAGEMENT (continued)

Changes in claims activity for the past three fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2001	\$231,199	\$888,857	\$869,881	\$250,175
2002	250,175	911,350	729,165	432,360
2003	432,360	858,972	903,859	387,473

NOTE 11 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2003, 5.46% was the portion allocated to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School Districts required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$93,099, \$50,210, and \$65,752, respectively; 38 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$57,797 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

New members have a choice of three retirement plans, a Defined Benefits (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 – DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the 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.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 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. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School Districts required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$483,243, \$419,852, and \$441,563, respectively; 82 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$84,696 represents the unpaid contribution for fiscal year 2003 and is recorded as a liability within the respective funds.

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$49,268 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employers 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the members pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$162,802. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 were \$240,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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/or the State State Teachers Retirement System. As of June 30, 2003, none of the members of the Board of Education have 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, 2003

NOTE 12 - 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 and Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Community National Insurance Company.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Balance Outstanding 6/30/02	Additions	Deductions	Balance Outstanding 6/30/03	Due Within One Year
Classroom Facilities Obligation					
Bonds - 1998 - 5.30%	\$3,165,000	\$0	\$95,000	\$3,070,000	\$95,000
Compensated Absences	513,895	641,092	513,895	641,092	4,384
Total Long-Term Obligations	<u>\$3,678,895</u>	<u>\$641,092</u>	<u>\$608,895</u>	<u>\$3,711,092</u>	<u>\$99,384</u>

On September 1, 1998, the Scioto Valley Local School District issued \$3,377,000 in voted General Obligation Bonds for the purpose of constructing, remodeling, reconstructing and adding to school buildings. The bonds were issued for a 23-year period with the final maturity date being December 1, 2021. The bonds will be paid from property tax revenues received in the Classroom Facilities Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

The School District's voted legal debt margin was \$14,174,417 with an unvoted debt margin of \$191,605 at June 30, 2003. Principal and interest requirements to retire general obligation debt, including notes outstanding June 30, 2003, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2004	95,000	161,845	256,845
2005	105,000	156,545	261,545
2006	110,000	150,848	260,848
2007	115,000	144,885	259,885
2008	120,000	138,658	258,658
2009-2013	695,000	589,236	1,284,236
2014-2018	895,000	377,743	1,272,743
2019-2022	935,000	104,085	1,039,085
Totals	<u>\$3,070,000</u>	<u>\$1,823,845</u>	<u>\$4,893,845</u>

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

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, 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 \$67,029 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, at P. O. Box 577, 23365 St. Rt. 124, Piketon, Ohio 45661.

Pilasco-Ross Special Education Regional Resource Center - The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross CTC, Shawnee State University, and Pike, Ross, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year.

The degree of control exercised by any participating school district is limited to its representation on the Board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45663.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 15 - CONTRACTUAL COMMITMENTS

As of June 30, 2003, the School District had contractual commitments for the construction purchase commitments for the construction of a new elementary school facility as follows:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/03
Ingle-Barr	\$2,683,000	\$1,039,668	\$1,643,332
Restaurant Equipment Services, Inc.	100,800	0	100,800
Mechanical Construction	1,828,870	1,237,473	591,397
Central Fire Protection	197,778	136,242	61,536
West End Electric	1,069,342	692,264	377,078
Tanner, Stone & Co.	419,916	160,289	259,627
Total	\$6,299,706	\$3,265,936	\$3,033,770

As of June 30, 2003, the School District also had contractual commitments for the construction purchase commitments for the construction of a new athletic complex as follows:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/03
Ingle-Barr	\$130,950	\$29,440	\$101,510
Portco Inc.	809,616	343,537	466,079
Mechanical Construction (HVAC)	98,900	33,165	65,735
Mechanical Construction (Field Lighting & Sound)	168,900	132,940	35,960
Dave York Sports, Inc.	275,000	220,411	54,589
West End Electric	167,000	79,313	87,687
Total	\$1,650,366	\$838,806	\$811,560

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 16 - 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 of textbooks and other instructional materials and an equal amount 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.

For fiscal year ended June 30, 2003, the School District is no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers Compensation, which must be retained for budget stabilization or spent for specified purposes.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and instructional materials, and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2002	\$0	\$0
Current year set-aside requirement	215,274	215,274
Current year offsets and Prior Yr. Carryover	(154,587)	(334,915)
Qualifying disbursements	(298,519)	(1,880,964)
Set-aside Balance Carried Forward		
To Future Years	(\$237,832)	(\$2,000,605)

The School District had offset and qualifying disbursements during the year that reduced the set-aside amount below zero in the Textbooks and Capital Acquisition Reserves. This extra amount may be carried forward and used to reduce the set-aside requirements of future year.

NOTE 17 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

The School District is not a party to any legal proceedings.

NOTE 18 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 19 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2003, were as follows:

<u>Fund</u>	<u>Transfer From</u>	<u>Transfer To</u>
Major Fund:		
General	\$382,744	\$0
Classroom Facilities	0	376,294
Non Major Fund:		
Food Service		6,450
Total	<u>\$382,744</u>	<u>\$382,744</u>

The transfers were made from the General Fund (a major fund) to the Classroom Facilities Fund (a major fund) to provide the District's required contribution and to the Food Service Fund (a non-major fund) to provide support for operating activities of that fund.

NOTE 20 - 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.

Scioto Valley Local School District
Pike County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2003

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 the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	NA	10.550	\$0	\$34,767	\$0	\$30,656
National School Breakfast Program	05-PU 2003	10.553	71,355	0	71,355	0
National School Lunch Program	LL-P4 2003	10.555	219,832	0	219,832	0
Total United States Department of Agriculture - Nutrition Cluster			291,187	34,767	291,187	30,656
United States Department of Education						
<i>Passed through the Ohio Department of Education</i>						
Grants to Local Educational Agencies (Title I)	C1-S1 2003	84.010	481,107	0	602,067	0
Special Education Grants to States (Title VI-B)	6B-SF 2002	84.027	153,310	0	208,150	0
Safe & Drug Free Schools and Communities	DR-S1 2003	84.186	8,185	0	9,593	0
Continuous Improvement	G2-S1 99/00	84.276	0	0	11,849	0
Eisenhower Professional Development Grant	MS-S1 2002	84.281	322	0	1,167	0
Innovative Education Program Strategy	C2-S1 2003	84.298	17,882	0	20,482	0
Technology Literacy Challenge Fund Grant	TJ-S1 2003	84.318	11,495	0	7,495	0
ATIP Round One	AT-S4 2002	84.352A	9,379	0	2,850	0
Rural & Low Income Grant	RU-S1 2003	84.358	31,277	0	31,277	0
Improving Teacher Quality	TR-S1 2003	84.367	125,207	0	125,108	0
Total United States Department of Education			838,164	0	1,020,038	0
Total Federal Financial Assistance			\$1,129,351	\$34,767	\$1,311,225	\$30,656

NA - Pass Through Entity Number is Not Available

See Accompanying Notes to the Schedule of Federal Awards Expenditures

Scioto Valley Local School District
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTIONS

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the School District had no significant food commodities in inventory.

BALESTRA, HARR & SCHERER, CPAS, INC.

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board
Scioto Valley Local School District
P.O. Box 600
Piketon, Ohio 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 (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated February 5, 2004, in which we indicated the School District adopted Governmental Accounting Standards Board Statement numbers 34, 37, 38, and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the District in a separate letter dated February 5, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over the financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the District in a separate letter dated February 5, 2004.

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

February 5, 2004

BALESTRA, HARR & SCHERER, CPAS, INC.

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Members of the Board

Scioto Valley Local School District

P.O. Box 600

Piketon, Ohio 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 are applicable to each of its major federal programs for the year ended June 30, 2003. The School District's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Scioto Valley School District in a separate letter dated February 5, 2004.

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.
February 5, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY
JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, CFDA #84.010 & Nutrition Cluster, CFDA #s 10.550, 10.553 & 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY
JUNE 30, 2003

**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

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS:

SCIOTO VALLEY LOCAL SCHOOL DISTRICT
 PIKE COUNTY
 JUNE 30, 2003

Finding Number:	Finding Summary:	Fully Corrected?	Not Corrected; Partially Corrected: Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	The School District overpaid an employee's severance payment.	Yes	
2002-002	Lack of documentation to support fixed assets	Yes	
2002-003	Students did not repay all of student activity monies	Yes	

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**Auditor of State
Betty Montgomery**

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SCIOTO VALLEY LOCAL SCHOOL 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
MARCH 30, 2004**