



Mary Taylor, CPA
Auditor of State

**SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Scioto Valley Local School District
Pike County
P.O. Box 600
Piketon, Ohio 45661

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scioto Valley Local School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Scioto Valley Local School District, Pike County, Ohio, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

June 4, 2008

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of the Scioto Valley Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. 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 2007 are as follows:

- Net assets of governmental activities increased \$120,049.
- General revenues accounted for \$11,851,253 in revenue or 70% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,994,299 or 30% of total revenues of \$16,845,552.
- The School District had \$16,725,503 in expenses related to governmental activities; only \$4,994,299 of these expenses were offset by program specific charges for services and sales, grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" 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 statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

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

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

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2007 compared to 2006.

	Table 1	
	Governmental Activities	
	2007	2006
Assets		
Current and Other Assets	\$ 12,869,158	\$ 11,649,441
Capital Assets, Net	26,433,030	27,615,350
Total Assets	<u>39,302,188</u>	<u>39,264,791</u>
Liabilities		
Long-term Liabilities	1,580,145	1,632,597
Current and Other Liabilities	4,507,659	4,537,859
Total Liabilities	<u>6,087,804</u>	<u>6,170,456</u>
Net Assets		
Invested in Capital Assets, Net of Debt	25,538,030	26,661,268
Restricted	1,618,123	716,835
Unrestricted	6,058,231	5,716,232
Total Net Assets	<u>\$ 33,214,384</u>	<u>\$ 33,094,335</u>

Total net assets of the District as a whole increased \$120,049. Current and Other Assets increased due primarily to an increase in taxes receivable. This increase to taxes receivable also contributed to an increase to Other Liabilities as deferred revenue increased. Capital Assets decreased due primarily to the current year depreciation.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2007 and June 30, 2006.

Table 2
Changes in Net Assets

	Governmental Activities	
	2007	2006
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 736,701	\$ 276,844
Operating Grants and Contributions	4,257,598	3,724,583
Capital Grants and Contributions	-	17,280
Total Program Revenues	<u>4,994,299</u>	<u>4,018,707</u>
General Revenues		
Property Taxes	2,097,780	2,288,136
Grants and Entitlements	8,160,009	8,074,651
Investment Earnings	377,119	316,137
Miscellaneous	1,216,345	33,573
Total General Revenues	<u>11,851,253</u>	<u>10,712,497</u>
Total Revenues	<u>16,845,552</u>	<u>14,731,204</u>
Program Expenses		
Instruction:		
Regular	6,978,570	7,134,988
Special	1,630,970	1,845,593
Other	4,625	1,316
Support Services:		
Pupil	688,130	691,007
Instructional Staff	790,642	763,546
Board of Education	13,684	17,749
Administration	1,767,029	1,231,892
Fiscal	271,691	297,747
Operation and Maintenance of Plant	1,958,576	1,894,329
Pupil Transportation	1,298,915	1,186,059
Central	119,390	127,962
Operation of Non-Instructional Services	649,071	632,558
Extracurricular Activities	464,765	472,549
Intergovernmental	59,940	59,940
Interest and Fiscal Charges	29,505	42,194
Total Expenses	<u>16,725,503</u>	<u>16,399,429</u>
Increase (Decrease) in Net Assets	120,049	(1,668,225)
Net Assets, Beginning of Year	<u>33,094,335</u>	<u>34,762,560</u>
Net Assets, End of Year	<u>\$ 33,214,384</u>	<u>\$ 33,094,335</u>

The increase in administration expense is attributed to an increase in salaries and benefits during the current year as compared to the prior year. The increase to Operating Grants and Contributions and Grants and Entitlements is due to an increase in the amount of funding received by the School District as compared to the prior year. The increase in miscellaneous revenue is due to the School District receiving \$900,000 in payments in lieu of taxes.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007		2006	
Program Expenses				
Instruction:				
Regular	\$ 6,978,570	\$ 5,897,968	\$ 7,134,988	\$ 6,541,007
Special	1,630,970	397,372	1,845,593	697,846
Other	4,625	4,625	1,316	1,316
Support Services:				
Pupil	688,130	645,615	691,007	597,492
Instructional Staff	790,642	414,467	763,546	385,497
Board of Education	13,684	13,171	17,749	17,718
Administration	1,767,029	1,687,387	1,231,892	1,211,877
Fiscal	271,691	230,738	296,921	266,849
Business	-	-	826	-
Operation and Maintenance of Plant	1,958,576	1,788,802	1,894,329	1,771,249
Pupil Transportation	1,298,915	593,682	1,186,059	561,582
Central	119,390	96,721	127,962	93,840
Operation of Non-Instructional Services	649,071	(122,207)	632,558	(69,603)
Extracurricular Activities	464,765	273,347	472,549	296,488
Intergovernmental	59,940	(20)	59,940	6,738
Interest and Fiscal Charges	29,505	(190,464)	42,194	-
Total	<u>\$ 16,725,503</u>	<u>\$ 11,731,204</u>	<u>\$16,399,429</u>	<u>\$ 12,379,896</u>

THE SCHOOL DISTRICT FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$16,971,127 and expenditures and other financing uses of \$16,139,550. As previously discussed, the School District remains financially stable in terms of healthy carryovers, ability to pay bills, and has no current operating levy needs.

The fund balance of the General Fund decreased \$21,959. This slight fund balance decrease is due to normal fluctuations in revenue and expenditures from year to year.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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 2007, the School District amended its General Fund budget.

For the General Fund, final budget basis revenue was \$13,263,571, which was above original estimates of \$12,071,126. These increases were primarily in the areas of property taxes and interest. For the General Fund, final budget basis expenditures were \$13,666,835, which was above original estimates of \$12,758,581. These increases were primarily in the areas of regular instruction, administrative and transfers.

The School District's ending unobligated General Fund cash balance was \$7,161,770.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007, the School District had \$26,433,030 invested in land, land improvements, buildings and building improvements, furniture and equipment, vehicles, library books and textbooks, and infrastructure. For additional information on capital assets, see Note 8 to the basic financial statements. Table 4 shows fiscal year 2007 balances compared to 2006.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2007	2006
Land and Land Improvements	\$ 3,561,148	\$ 3,712,287
Buildings and Improvements	21,628,309	22,487,494
Furniture and Equipment	521,922	504,423
Vehicles	556,109	689,077
Library and Textbooks	25,300	78,840
Infrastructure	140,242	143,229
Totals	\$26,433,030	\$27,615,350

Changes are a result of current year additions and depreciation.

Debt

At June 30, 2007, the School District had general obligation bonds outstanding of \$895,000. The bonds were issued to refund the classroom facilities general obligation bonds for school construction. For additional information on debt, see Note 12 to the basic financial statements.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

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Scioto Valley Local School District
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 9,712,249
Cash and Cash Equivalents with Fiscal Agents	20,000
Accounts Receivable	511,126
Intergovernmental Receivable	264,556
Property Taxes Receivable	2,361,227
Non-Depreciable Capital Assets	830,500
Depreciable Capital Assets, Net	25,602,530
<i>Total Assets</i>	39,302,188
Liabilities	
Accounts Payable	131,640
Accrued Wages and Benefits Payable	1,288,215
Accrued Interest Payable	2,997
Matured Bonds and Interest Payable	20,000
Claims Payable	221,000
Deferred Revenue	2,239,763
Intergovernmental Payable	604,044
Long-Term Liabilities:	
Due Within One Year	100,933
Due In More Than One Year	1,479,212
<i>Total Liabilities</i>	6,087,804
Net Assets	
Invested in Capital Assets, Net of Related Debt	25,538,030
Restricted for:	
Capital Projects	180,533
Debt Service	662,558
Other Purposes	775,032
Unrestricted	6,058,231
<i>Total Net Assets</i>	\$ 33,214,384

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 6,978,570	\$ 213,913	\$ 866,689	\$ (5,897,968)
Special	1,630,970	42,578	1,191,020	(397,372)
Other	4,625	-	-	(4,625)
Support Services:				
Pupil	688,130	26,162	16,353	(645,615)
Instructional Staff	790,642	16,416	359,759	(414,467)
Board of Education	13,684	513	-	(13,171)
Administration	1,767,029	68,740	10,902	(1,687,387)
Fiscal	271,691	9,747	31,206	(230,738)
Operation and Maintenance of Plant	1,958,576	74,383	95,391	(1,788,802)
Pupil Transportation	1,298,915	45,656	659,577	(593,682)
Central	119,390	3,591	19,078	(96,721)
Operation of Non-Instructional				
Services	649,071	138,975	632,303	122,207
Extracurricular Activities	464,765	96,027	95,391	(273,347)
Intergovernmental	59,940	-	59,960	20
Interest and Fiscal Charges	29,505	-	219,969	190,464
<i>Total Governmental Activities</i>	<u>\$ 16,725,503</u>	<u>\$ 736,701</u>	<u>\$ 4,257,598</u>	<u>(11,731,204)</u>
General Revenues				
Property Taxes Levied for:				
				1,981,159
				76,063
				40,558
Grants and Entitlements not Restricted				
				8,160,009
				377,119
				1,216,345
<i>Total General Revenues</i>				<u>11,851,253</u>
<i>Change in Net Assets</i>				120,049
<i>Net Assets Beginning of Year</i>				<u>33,094,335</u>
<i>Net Assets End of Year</i>				<u>\$ 33,214,384</u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 7,725,796	\$ 1,723,010	\$ 9,448,806
Cash and Cash Equivalents with Fiscal Agents	-	20,000	20,000
Receivables:			
Property Taxes	2,207,799	153,428	2,361,227
Accounts	510,231	895	511,126
Intergovernmental	-	264,556	264,556
<i>Total Assets</i>	<u>\$ 10,443,826</u>	<u>\$ 2,161,889</u>	<u>\$ 12,605,715</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 124,100	\$ 7,540	\$ 131,640
Accrued Wages and Benefits Payable	1,063,082	225,133	1,288,215
Matured Bonds and Interest Payable	-	20,000	20,000
Intergovernmental Payable	533,029	71,015	604,044
Deferred Revenue	2,425,711	185,469	2,611,180
<i>Total Liabilities</i>	<u>4,145,922</u>	<u>509,157</u>	<u>4,655,079</u>
Fund Balances			
Reserved for Encumbrances	405,688	23,950	429,638
Reserved for Property Taxes	153,091	8,210	161,301
Reserved for Capital Improvements	144,519	-	144,519
Unreserved, Undesignated, Reported in:			
General Fund	5,594,606	-	5,594,606
Special Revenue Funds	-	793,466	793,466
Debt Service Funds	-	646,573	646,573
Capital Projects Funds	-	180,533	180,533
<i>Total Fund Balances</i>	<u>6,297,904</u>	<u>1,652,732</u>	<u>7,950,636</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 10,443,826</u>	<u>\$ 2,161,889</u>	<u>\$ 12,605,715</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, 2007*

Total Governmental Fund Balances		\$7,950,636
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.		26,433,030
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes		371,417
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		42,443
Long-Term Liabilities, including bonds and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(2,997)	
Compensated Absences	(685,145)	
General Obligation Bonds	<u>(895,000)</u>	
Total		<u>(1,583,142)</u>
Net Assets of Governmental Activities		<u><u>\$33,214,384</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, 2007

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 1,947,343	\$ 119,751	\$ 2,067,094
Intergovernmental	9,454,616	2,911,047	12,365,663
Investment Earnings	376,945	174	377,119
Rent	17,226	-	17,226
Tuition and Fees	495,759	-	495,759
Extracurricular Activities	-	84,741	84,741
Gifts and Donations	-	5,219	5,219
Customer Sales and Services	-	138,975	138,975
Miscellaneous	1,023,496	192,849	1,216,345
<i>Total Revenues</i>	<u>13,315,385</u>	<u>3,452,756</u>	<u>16,768,141</u>
Expenditures			
Current:			
Instruction:			
Regular	5,499,687	865,145	6,364,832
Special	1,071,218	554,879	1,626,097
Other	4,625	-	4,625
Support Services:			
Pupil	670,452	15,955	686,407
Instructional Staff	416,726	356,497	773,223
Board of Education	13,684	-	13,684
Administration	1,738,491	14,635	1,753,126
Fiscal	254,765	15,776	270,541
Operation and Maintenance of Plant	1,845,655	92,543	1,938,198
Pupil Transportation	1,165,888	-	1,165,888
Central	93,474	25,916	119,390
Operation of Non-Instructional Services	-	627,923	627,923
Extracurricular Activities	285,747	94,109	379,856
Intergovernmental	-	59,940	59,940
Capital Outlay	54,762	-	54,762
Debt Service:			
Principal	19,082	40,000	59,082
Interest and Fiscal Charges	102	38,888	38,990
<i>Total Expenditures</i>	<u>13,134,358</u>	<u>2,802,206</u>	<u>15,936,564</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>181,027</u>	<u>650,550</u>	<u>831,577</u>
Other Financing Sources (Uses)			
Operating Transfers In	-	202,986	202,986
Operating Transfers Out	(202,986)	-	(202,986)
<i>Total Other Financing Sources(Uses)</i>	<u>(202,986)</u>	<u>202,986</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(21,959)	853,536	831,577
<i>Fund Balances Beginning of Year</i>	<u>6,319,863</u>	<u>799,196</u>	<u>7,119,059</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,297,904</u>	<u>\$ 1,652,732</u>	<u>\$ 7,950,636</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, 2007*

Net Change in Fund Balances - Total Governmental Funds \$831,577

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	137,877	
Current Year Depreciation	(1,320,197)	
Total	(1,182,320)	(1,182,320)

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

Taxes	30,686	
Intergovernmental	46,726	
Total	77,412	77,412

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.

40,000

Repayment of capital leases obligations 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.

19,082

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

331,443

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	(6,630)	
Decrease in Interest Payable	9,485	

Total		2,855
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Net Change in Net Assets of Governmental Activities **\$120,049**

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$ 12,071,126	\$ 13,263,571	\$ 13,264,191	\$ 620
Total Expenditures and Other Uses	12,758,581	13,666,835	13,683,839	(17,004)
Net Change in Fund Balance	(687,455)	(403,264)	(419,648)	(16,384)
Fund Balance, July 1, 2006	7,380,060	7,380,060	7,380,060	-
Prior Year Encumbrances Appropriated	201,358	201,358	201,358	-
Fund Balance, June 30, 2007	<u>\$ 6,893,963</u>	<u>\$ 7,178,154</u>	<u>\$ 7,161,770</u>	<u>\$ (16,384)</u>

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Fund Net Assets
Governmental Activities - Internal Service Fund
June 30, 2007

	Internal Service Fund
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 263,443
<i>Total Assets</i>	263,443
LIABILITIES:	
Current Liabilities:	
Claims Payable	221,000
<i>Total Liabilities</i>	221,000
NET ASSETS:	
Unrestricted	\$ 42,443

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
*Statement of Revenues, Expenses and
 Changes In Fund Net Assets*
 Governmental Activities - Internal Service Fund
 For the Fiscal Year Ended June 30, 2007

	Internal Service Fund
Operating Revenues:	
Charges for Services	\$ 2,233,175
<i>Total Operating Revenues</i>	<i>2,233,175</i>
Operating Expenses:	
Purchased Services	304,034
Claims Expense	1,597,698
<i>Total Operating Expenses</i>	<i>1,901,732</i>
Net Change in Net Assets	331,443
Net Assets (Deficit) at Beginning of Year	(289,000)
Net Assets at End of Year	\$ 42,443

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Cash Flows
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2007

	Internal Service Fund
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Transaction with Other Funds	\$ 2,233,175
Cash Payments to Suppliers for Services	(304,034)
Cash Payments for Claims	(1,665,698)
<i>Net Cash Used for Operating Activities</i>	263,443
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	\$ 263,443
<i>Reconciliation of Operating Income to Net Cash Used by Operating Activities</i>	
Operating Income	\$ 331,443
<i>Changes in Assets and Liabilities:</i>	
Decrease in Claims Payable	(68,000)
<i>Net Cash Used by Operating Activities</i>	\$ 263,443

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 30,656</u>
Total Assets	<u><u>30,656</u></u>
Liabilities	
Undistributed Monies	<u>30,656</u>
Total Liabilities	<u><u>\$ 30,656</u></u>

See accompanying notes to the basic financial statements.

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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 77 non-certificated employees and 104 certificated full-time teaching personnel who provide services to 1,750 students and other community members.

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

Reporting Entity:

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

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

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

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

The School District is associated with two organizations which are defined as jointly governed organizations. These organizations are the South Central Ohio Computer Association and Pilasco-Ross Special Education Regional Resource Center. These organizations are presented in Note 13 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

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 three categories, governmental, proprietary, 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 fund:

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Funds

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

Internal Service Fund

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary 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. The School District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

Measurement Focus

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

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

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.

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 resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

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 financial statements.

During fiscal year 2007, the School District had investments in federal instrumentalities and money markets.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2007 amounted to \$376,945 to the General Fund and \$174 to the other non-major governmental funds.

For purposes of presentation on the financial statements, 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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.

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.

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Interfund transfers within governmental activities are eliminated in the statement of activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

G. 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.

H. Operating Revenues and Expenses

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities, that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, 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.

J. Fund Balance Reserves

The School District records reservations for portions of fund balance 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 balance which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, property taxes and capital improvements.

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.

K. 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.

L. 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. Net assets restricted for other purposes represent balances in special revenue funds for grants whose use is restricted by grant agreements.

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

Of the District's \$1,618,123 restricted net assets, none was restricted by enabling legislation.

NOTE 3 – ACCOUNTABILITY

At June 30, 2007, the Title I and ATIP Non-major Special Revenue Funds had fund balance deficits of \$14,980 and \$4,911, 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.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

	<u>General</u>
GAAP Basis	\$(21,959)
Revenue Accruals	(51,194)
Expenditure Accruals	133,240
Encumbrances	<u>(479,735)</u>
Budget Basis	<u><u>\$(419,648)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the School District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the School District's total average portfolio; and

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the School District's total average portfolio.

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

As of June 30, 2007, the School District's bank balance of \$2,269,925 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

Investments As of June 30, 2007, the School District had the following investments:

	Fair Value	Less than 12 months	1-2 Years
Federal Nat'l Mort. Assoc. Notes	\$2,459,621	\$1,347,016	\$1,112,605
Federal Home Loan Bank Notes	4,030,878	1,638,363	2,392,515
Money Market	37,580	37,580	0
Federal Home Loan Mort. Corp. Notes	1,050,369	1,050,369	0
Total Investment Portfolio	\$7,578,448	\$4,073,328	\$3,505,120

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

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The School District limits their investments to securities issued by federal government agencies or instrumentalities, money market accounts, and Certificates of Deposit. Investments in Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, and Federal Home Loan Mortgage Corporation Notes were rated AAA by Standard & Poor's and Aaa by Moody's.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of credit risk – The School District’s investment policy allows investments in: United States Treasury Bills, notes, bonds or any other obligations issued by the United States Treasury; Bonds, notes, debentures of any other obligations issued by federal government agencies; Interim Deposits to the extent that they are property insured and collateralized; Bonds and other obligations of the state; No-load money market mutual funds provided that investments in securities are made only through eligible financial institutions; Written Repurchase agreements; Maximum of twenty five percent of the School District’s interim funds in commercial paper and/or bankers acceptances of banks that are insured by the FDIC; STAROhio; and Certificates of Deposit.

The School District has invested in securities issued by federal government agencies or instrumentalities. More than 95 percent of the School District’s investments are in federal government agencies or instrumentalities; Federal National Mortgage Association Notes comprised 32% of these investments, Federal Home Loan Bank Notes comprised of 53% of these investments, and Federal Home Loan Mortgage Corporation Notes comprised of 14% of the total investments. The remaining amount was invested in Federal Home Loan Money Market accounts.

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

The classification of cash and cash equivalents, and investments on the 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*.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. 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 2007 for real and public utility property taxes represents collections of calendar 2006 taxes. Property tax payments received during calendar 2007 for tangible personal property (other than public utility property) are for calendar 2006 taxes. 2007 real property taxes are levied after April 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2007 real property taxes are collected in and intended to finance fiscal year 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after April 1, 2007 and are collected in 2008 with real property taxes. 2007 tangible personal property taxes are levied after April 1, 2007, on the value as of December 31, 2006. Collections are made in 2008. 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.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 - PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$72,798,420	63.41%	\$73,823,100	75.59%
Public Utility	15,300,740	13.33%	14,805,730	15.16%
Tangible Personal Property	26,708,364	23.26%	9,035,580	9.25%
Total Assessed Value	<u>\$114,807,524</u>	<u>100.00%</u>	<u>\$97,664,410</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.61		\$28.90	

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, 2007, are available to finance fiscal year 2007 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, 2007 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, 2007, was \$153,091 in the General Fund, \$2,905 in the Classroom Facilities Maintenance Nonmajor Special Revenue Fund, and \$5,305 in the Debt Service nonmajor Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007, consisted of property taxes, accounts, interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Fund	Amount
<i>Non-Major Special Revenue Funds:</i>	
Title I	\$34,445
Food Service	98,038
Title VI-B	79,367
Public Preschool	5,980
CORE Grant	<u>46,726</u>
Total Non-Major Funds	<u>264,556</u>
Total All Funds	<u>\$264,556</u>

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

	Ending Balance 06/30/06	Additions	Deletions	Ending Balance 06/30/07
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 830,500	\$ -	\$ -	\$ 830,500
Total Capital Assets, Not Being Depreciated	<u>830,500</u>	<u>-</u>	<u>-</u>	<u>830,500</u>
Capital Assets Being Depreciated				
Land Improvements	3,936,555	33,573	-	3,970,128
Buildings and Improvements	30,814,016	-	-	30,814,016
Furniture and Equipment	849,887	104,304	-	954,191
Vehicles	2,236,721	-	-	2,236,721
Library Books and Textbooks	399,872	-	-	399,872
Infrastructure	149,342	-	-	149,342
Total Capital Assets, Being Depreciated	<u>38,386,393</u>	<u>137,877</u>	<u>-</u>	<u>38,524,270</u>
Less Accumulated Depreciation:				
Land Improvements	(1,054,768)	(184,712)	-	(1,239,480)
Buildings and Improvements	(8,326,522)	(859,185)	-	(9,185,707)
Furniture and Equipment	(345,464)	(86,805)	-	(432,269)
Vehicles	(1,547,644)	(132,968)	-	(1,680,612)
Library Books and Textbooks	(321,032)	(53,540)	-	(374,572)
Infrastructure	(6,113)	(2,987)	-	(9,100)
Total Accumulated Depreciation	<u>(11,601,543)</u>	<u>(1,320,197)</u>	<u>-</u>	<u>(12,921,740)</u>
Total Capital Assets Being Depreciated, Net	<u>26,784,850</u>	<u>(1,182,320)</u>	<u>-</u>	<u>25,602,530</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,615,350</u>	<u>\$ (1,182,320)</u>	<u>\$ -</u>	<u>\$ 26,433,030</u>

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$ 1,038,939
Support Services:	
Instructional Staff	18,501
Administration	6,727
Fiscal	1,665
Operation and Maintenance of Plant	16,168
Pupil Transportation	133,057
Operation of Non-Instructional Services	20,230
Extracurricular Activities	84,910
Total Depreciation Expense	<u>\$ 1,320,197</u>

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 - 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 2007, the School District contracted with Ohio School Plan for property and fleet insurance, professional liability insurance and inland marine coverage. Total coverage amounted to \$41,810,961 with a \$1,000 deductible.

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 \$221,000 reported in the Internal Service Fund at June 30, 2007 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2006	\$307,000	\$1,717,606	\$1,735,606	\$289,000
2007	289,000	1,597,698	1,665,698	221,000

NOTE 10 - 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 10 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 2007, 10.68% 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$437,269, \$307,047, and \$303,580, respectively. 26% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$325,179 represents the unpaid contribution for fiscal year 2007.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer defined benefit pension plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio 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 Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

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

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

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

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount.

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

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

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent, 13 percent of which 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 District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$696,057, \$740,213, and \$685,561, respectively; 93% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005. \$48,148 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

D. Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial 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 Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, 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 \$59,535 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006 (the latest information available), net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2% of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$118,470.

The surcharge, added to the unallocated portion of the 14% 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 projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Life Insurance

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

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 06/30/06	Additions	Deductions	Principal Outstanding 06/30/07	Due in One Year
Refunding Bonds - 2005 - 4.25%	\$ 935,000	\$ -	\$ 40,000	\$ 895,000	\$ 45,000
Capital Leases	19,082	-	19,082	-	-
Compensated Absences	678,515	685,145	678,515	685,145	55,933
Total Long-Term Obligations	<u>\$ 1,632,597</u>	<u>\$ 685,145</u>	<u>\$ 737,597</u>	<u>\$ 1,580,145</u>	<u>\$ 100,933</u>

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

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

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

The School District's voted legal debt margin was \$7,894,798 with an unvoted debt margin of \$97,664 at June 30, 2007.

Principal and interest requirements to retire general obligation debt outstanding June 30, 2007, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$45,000	\$37,081	\$82,081
2009	45,000	35,169	80,169
2010	50,000	33,150	83,150
2011	50,000	31,025	81,025
2012	50,000	28,900	78,900
2013-2017	295,000	108,906	403,906
2018-2022	360,000	39,738	399,738
Totals	<u>\$895,000</u>	<u>\$313,969</u>	<u>\$1,208,969</u>

NOTE 13 - 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 \$55,075 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Career and Technology Center, 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, 2007

NOTE 14 - 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.

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, 2006	\$0	\$0
Current year set-aside requirement	231,147	231,147
Prior Year Carry Over	(604,542)	0
Current year offsets	0	(40,266)
Qualifying disbursements	(228,978)	(46,362)
Set-aside Balance Carried Forward		
To Future Years	(\$602,373)	\$144,519

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 years.

NOTE 15 - 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, 2007.

B. Litigation

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 16 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2007, were as follows:

<u>Fund</u>	<u>Transfer From</u>	<u>Transfer To</u>
Major Fund:		
General	\$202,986	\$0
Non Major Special Revenue Funds:		
Lunchroom Fund	0	183,426
Athletics	0	17,450
Public School Support	0	2,110
Total Non Major Special Revenue Funds	<u>0</u>	<u>202,986</u>
Total All Funds	<u>\$202,986</u>	<u>\$202,986</u>

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

NOTE 17 - 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 RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Food Donation	10.550	N/A	\$	\$ 91	\$	\$ 91
Nutrition Cluster:						
School Breakfast Program	10.553	05-PU-06 05-PU-07	16,650 70,901		16,650 70,901	
Total School Breakfast Program			<u>87,551</u>	<u>0</u>	<u>87,551</u>	<u>0</u>
National School Lunch Program	10.555	LL-P4-06 LL-P4-07	37,933 174,470		37,933 174,470	
Total National School Lunch Program			<u>212,403</u>	<u>0</u>	<u>212,403</u>	<u>0</u>
Total Nutrition Cluster			<u>299,954</u>	<u>0</u>	<u>299,954</u>	<u>0</u>
Total United States Department of Agriculture			299,954	91	299,954	91
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-06 C1-S1-07	50,162 436,405		52,969 403,308	
Total Title I Grants to Local Educational Agencies			<u>486,567</u>	<u>0</u>	<u>456,277</u>	<u>0</u>
Special Education - Grants to States	84.027	6B-SF-06 6B-SF-07	63,942 317,470		65,044 315,097	
Total Special Education - Grants to States			<u>381,412</u>	<u>0</u>	<u>380,141</u>	<u>0</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	DR-S1-06 DR-S1-07	10,526		18 10,526	
Total Safe and Drug-Free Schools and Communities- State Grants			<u>10,526</u>	<u>0</u>	<u>10,544</u>	<u>0</u>
State Grants for Innovative Education Programs	84.298	C2-S1-07	2,636		2,636	
Education Technology State Grants	84.318	N/A N/A TJ-S1-07	4,898		2,066 160 4,898	
Total Education Technology State Grants			<u>4,898</u>	<u>0</u>	<u>7,124</u>	<u>0</u>
Rural Education	84.358	N/A			4,332	
Improving Teacher Quality State Grants	84.367	TR-S1-06 TR-S1-07	12,352 129,728		16,736 123,725	
Total Improving Teacher Quality State Grants			<u>142,080</u>	<u>0</u>	<u>140,461</u>	<u>0</u>
Hurricane Educational Recovery Act	84.938	HR-01-06	4,500		7,500	
Total United States Department of Education			<u>1,032,619</u>	<u>0</u>	<u>1,009,015</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,332,573</u>	<u>\$ 91</u>	<u>\$ 1,308,969</u>	<u>\$ 91</u>

The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Mary Taylor, CPA

Auditor of State

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

Scioto Valley Local School District
Pike County
P.O. Box 600
Piketon, Ohio 45661

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scioto Valley Local School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the School District's management in a separate letter dated June 4, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated June 4, 2008.

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

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



Mary Taylor, CPA
Auditor of State

June 4, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Scioto Valley Local School District
Pike County
P.O. Box 600
Piketon, Ohio 45661

To the Board of Education:

Compliance

We have audited the compliance of the Scioto Valley Local School District, Pike County, Ohio (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 apply to its major federal program for the year ended June 30, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report that we reported to the School District's management in a separate letter dated June 4, 2008.

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



Mary Taylor, CPA
Auditor of State

June 4, 2008

**SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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 § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education – Grants to States: CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007
(Continued)**

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

FINDING NUMBER 2007-001

Significant Deficiency

The School District's "Guidelines for Student Activity Funds" stated that the Student Activity Advisor was responsible for supervision of all activities by the group, preparation of purpose and budget of group, maintaining all required forms and records, and adhering to approved budget and approved student activity guidelines.

The Fund Raising Policy stated:

- A student activity group must have a fund raiser listed on their approved budget;
- The group must fill out and have approved the "Sales Project Potential" form before they can start the fundraiser;
- All advisors and students should be aware that they are handling public funds, and that all transactions must have a clear audit trail;
- All receipts collected must be turned over to the Advisor or to the Building Secretary for immediate deposit. No cash payments can be made from these proceeds;
- If sales for this fund raiser exceed the previous estimates on the approved budget, a budget revision must be submitted to the Treasurer immediately;
- All student activity groups are required to keep some form of cash journal with which to reconcile the monthly reports sent to the group by the Treasurer's office;
- After the fund raiser is completed, the group is required to fill out the bottom half of the "Sales Project Potential" which is titled Reconciliation of Fund Raiser". It is required to be filled out completely, showing all purchases, receipts and spoilage, etc.; and,
- All fund raising materials and all cash journals are required to be kept by the Advisor, so that they are available for audit. They can only be disposed of upon notification by the Treasurer.

The "Guidelines for Student Activity Funds" also state that Building Principals are responsible for supervision of all student activity groups in compliance with their approved purposes, budgets, student activity guidelines, and board policies.

We noted that "Sales Project Potential" forms were not on file for 66% of student activities tested. Further, we noted 100% of the budgets were not prepared or appropriately approved. Duplicate receipt books were not utilized for 100% of the student activities tested. Also, the Class of 2008 held a fundraiser for which no supporting documentation could be provided. This could allow errors and irregularities to go undetected for an extended period of time.

We recommend Student Activity Advisors be furnished with the "Guidelines for Student Activities and Fund Raising Policy" and implement the procedures outlined.

Client Response:

Student activities had several recommendations from the FY06 audit that we have tried to implement. Due to timing this has occurred in FY08. Budgets were approved and Student Activity Policies were distributed to advisors. I believe this area will be much better in the FY08 audit.

**SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

None.

**SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding for Recovery	A finding for recovery was issued under Ohio Rev. Code Section 3315.062(B) against the Junior High Cheerleader advisor for a Cookie Dough Sale fundraiser.	Partially Corrected	The School District's Bonding Company reimbursed the School District \$2,144.13. This leaves \$250 outstanding on the Finding for Recovery, which equals the amount of the School District's insurance deductible.



Mary Taylor, CPA
Auditor of State

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
JUNE 19, 2008**