



**SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Scioto Valley Local School District
Pike County
Post Office Box 600
Piketon, Ohio 45661

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Scioto Valley Local School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Scioto Valley Local School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District, as of June 30, 1999 and the results of its operations and the cash flows of its proprietary fund types for the fiscal year then ended in conformity with generally accepted accounting principles.

As described in Note 17 to the accompanying general purpose financial statements, during the year ended June 30, 1999, the School District changed its method of accounting and financial reporting for its Internal Revenue Code 457 Deferred Compensation Plans.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 1999 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 grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 23, 1999

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Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,731,590	\$254,640	\$80,745	\$5,288,823
Cash and Cash Equivalents with Fiscal Agents	0	0	20,000	0
Receivables:				
Taxes	3,163,788	590,000	77,500	0
Accounts	252	0	0	0
Intergovernmental	33,500	5,989	0	0
Prepaid Items	17,642	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	25,848	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	92,086	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$6,064,706	\$850,629	\$178,245	\$5,288,823

See accompanying notes to the general purpose financial statements

<i>PRORIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Obligations	
\$20,522	\$115,382	\$20,457	\$0	\$0	\$8,512,159
0	0	0	0	0	20,000
0	0	0	0	0	3,831,288
0	0	0	0	0	252
38,810	0	0	0	0	78,299
0	0	0	0	0	17,642
12,815	0	0	0	0	12,815
270	0	0	0	0	26,118
0	0	0	0	0	92,086
21,021	0	0	3,045,890	0	3,066,911
0	0	0	0	91,053	91,053
0	0	0	0	3,747,188	3,747,188
----- \$93,438	----- \$115,382	----- \$20,457	----- \$3,045,890	----- \$3,838,241	----- \$19,495,811

(continued)

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities,				
<u>Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$30,200	\$6,837	\$0	\$0
Accrued Wages and Benefits	574,732	121,157	0	0
Compensated Absences Payable	4,921	0	0	0
Intergovernmental Payable	131,427	18,911	0	0
Deferred Revenue	2,287,890	445,731	67,192	0
Undistributed Monies	0	0	0	0
Matured Bonds Payable	0	0	20,000	0
Claims Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,029,170	592,636	87,192	0
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Budget Stabilization	92,086	0	0	0
Reserved for Encumbrances	183,994	23,272	0	589
Reserved for Inventory	25,848	0	0	0
Reserved for Property Taxes	875,898	144,269	10,308	0
Unreserved:				
Undesignated	1,857,710	90,452	80,745	5,288,234
Total Fund Equity and Other Credits	3,035,536	257,993	91,053	5,288,823
Total Liabilities, Fund Equity and Other Credits	\$6,064,706	\$850,629	\$178,245	\$5,288,823

See accompanying notes to the general purpose financial statements

<i>PRORIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Obligations	
\$102	\$0	\$0	\$0	\$0	\$37,139
25,400	0	0	0	0	721,289
11,085	0	0	0	397,542	413,548
3,921	0	0	0	63,699	217,958
10,068	0	0	0	0	2,810,881
0	0	20,457	0	0	20,457
0	0	0	0	0	20,000
0	191,569	0	0	0	191,569
0	0	0	0	3,377,000	3,377,000
-----	-----	-----	-----	-----	-----
50,576	191,569	20,457	0	3,838,241	7,809,841
-----	-----	-----	-----	-----	-----
0	0	0	3,045,890	0	3,045,890
42,862	(76,187)	0	0	0	(33,325)
0	0	0	0	0	92,086
0	0	0	0	0	207,855
0	0	0	0	0	25,848
0	0	0	0	0	1,030,475
0	0	0	0	0	7,317,141
-----	-----	-----	-----	-----	-----
42,862	(76,187)	0	3,045,890	0	11,685,970
-----	-----	-----	-----	-----	-----
=====	=====	=====	=====	=====	=====
\$93,438	\$115,382	\$20,457	\$3,045,890	\$3,838,241	\$19,495,811

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Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<u>Revenues:</u>					
Taxes	\$2,157,089	\$160,094	\$130,577	\$0	\$2,447,760
Intergovernmental	6,295,157	1,074,407	10,621	2,222,137	9,602,322
Interest	122,226	632	0	145,981	268,839
Tuition and Fees	10,116	0	0	0	10,116
Rent	35,783	0	0	0	35,783
Extracurricular Activities	0	84,875	0	0	84,875
Gifts and Donations	23	4,000	0	0	4,023
Customer Services	43,301	0	0	0	43,301
Miscellaneous	9,355	4,931	4,500	0	18,786
Total Revenues	8,673,050	1,328,939	145,698	2,368,118	12,515,805
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	3,199,585	269,507	0	0	3,469,092
Special	635,960	529,728	0	0	1,165,688
Other	44,992	0	0	0	44,992
Support Services:					
Pupils	263,036	8,972	0	5,299	277,307
Instructional Staff	180,644	196,571	0	0	377,215
Board of Education	8,234	0	0	0	8,234
Administration	841,526	10,715	0	0	852,241
Fiscal	181,262	4,360	3,961	0	189,583
Operation and Maintenance of Plant	711,978	210	0	0	712,188
Pupil Transportation	571,487	1,888	0	0	573,375
Central	31,518	8,339	0	126,075	165,932
Intergovernmental	0	55,184	0	0	55,184
Extracurricular Activities	153,790	60,068	0	0	213,858
Capital Outlay	217,854	0	0	760,132	977,986
Debt Service:					
Interest and Fiscal Charges	0	0	89,999	0	89,999
Total Expenditures	7,041,866	1,145,542	93,960	891,506	9,172,874
Excess of Revenues Over (Under) Expenditures	1,631,184	183,397	51,738	1,476,612	3,342,931
<u>Other Financing Sources (Uses):</u>					
Proceeds of Bonds	0	0	0	3,377,000	3,377,000
Proceeds from Sale of Fixed Assets	2,000	0	0	0	2,000
Total Other Financing Sources (Uses)	2,000	0	0	3,377,000	3,379,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,633,184	183,397	51,738	4,853,612	6,721,931
Fund Balances at Beginning of Year as Restated in Note 20	1,409,668	74,596	39,315	435,211	1,958,790
Increase in Reserve for Inventory	(7,316)	0	0	0	(7,316)
Fund Balances at End of Year	\$3,035,536	\$257,993	\$91,053	\$5,288,823	\$8,673,405

See accompanying notes to the general purpose financial statements

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Taxes	\$1,397,635	\$1,397,635	\$0	\$15,825	\$15,825	\$0
Intergovernmental	6,294,257	6,294,257	0	1,068,418	1,068,418	0
Interest	121,870	122,289	419	596	632	36
Tuition and Fees	10,116	10,116	0	0	0	0
Rent	14,014	14,014	0	0	0	0
Extracurricular Activities	0	0	0	84,874	84,874	0
Gifts and Donations	23	23	0	4,000	4,000	0
Customer Service	43,301	43,301	0	0	0	0
Miscellaneous	0	0	0	4,931	4,931	0
Total Revenues	7,881,216	7,881,635	419	1,178,644	1,178,680	36
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	3,235,754	3,235,754	0	246,393	246,393	0
Special	645,552	645,552	0	521,632	521,632	0
Other	44,992	44,992	0	0	0	0
Support Services:						
Pupils	253,251	253,251	0	9,374	9,374	0
Instructional Staff	194,769	194,769	0	188,646	188,646	0
Board of Education	8,234	8,234	0	0	0	0
Administration	866,947	866,947	0	10,768	10,768	0
Fiscal	185,904	185,904	0	4,311	4,311	0
Operation and Maintenance of Plant	727,263	727,263	0	210	210	0
Pupil Transportation	698,271	698,271	0	1,888	1,888	0
Central	27,402	27,402	0	10,575	10,575	0
Extracurricular Activities	154,506	154,506	0	67,648	67,648	0
Capital Outlay	219,354	219,354	0	0	0	0
Debt Service:						
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	7,262,199	7,262,199	0	1,061,445	1,061,445	0
Excess of Revenues Over (Under) Expenditures	619,017	619,436	419	117,199	117,235	36
<u>Other Financing Sources (Uses):</u>						
Proceeds of Bonds	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	2,000	2,000	0	0	0	0
Refund of Prior Year Expenditures	9,355	9,355	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	(262,000)	0	262,000	(55,184)	(55,184)	0
Total Other Financing Sources (Uses)	(250,645)	11,355	262,000	(55,184)	(55,184)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	368,372	630,791	262,419	62,015	62,051	36
Fund Balances at Beginning of Year	1,942,991	1,942,991	0	147,594	147,594	0
Prior Year Encumbrances Appropriated	56,549	56,549	0	15,196	15,196	0
Fund Balances at End of Year	\$2,367,912	\$2,630,331	\$262,419	\$224,805	\$224,841	\$36

See accompanying notes to the general purpose financial statements

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUND</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$120,269	\$120,269	\$0	\$0	\$0	\$0
10,621	10,621	0	2,222,137	2,222,137	0
0	0	0	144,758	145,981	1,223
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
130,890	130,890	0	2,366,895	2,368,118	1,223
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	5,299	5,299	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,961	3,961	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	126,665	126,665	0
0	0	0	0	0	0
0	0	0	760,132	760,132	0
89,999	89,999	0	0	0	0
93,960	93,960	0	892,096	892,096	0
36,930	36,930	0	1,474,799	1,476,022	1,223
0	0	0	3,377,000	3,377,000	0
0	0	0	0	0	0
0	0	0	0	0	0
4,500	4,500	0	0	0	0
0	0	0	0	0	0
4,500	4,500	0	3,377,000	3,377,000	0
41,430	41,430	0	4,851,799	4,853,022	1,223
39,315	39,315	0	376,215	376,215	0
0	0	0	58,996	58,996	0
\$80,745	\$80,745	\$0	\$5,287,010	\$5,288,233	\$1,223

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,533,729	\$1,533,729	\$0
9,595,433	9,595,433	0
267,224	268,902	1,678
10,116	10,116	0
14,014	14,014	0
84,874	84,874	0
4,023	4,023	0
4,931	4,931	0
11,514,344	11,516,022	1,678

3,482,147	3,482,147	0
1,167,184	1,167,184	0
44,992	44,992	0
267,924	267,924	0
383,415	383,415	0
8,234	8,234	0
877,715	877,715	0
194,176	194,176	0
727,473	727,473	0
700,159	700,159	0
164,642	164,642	0
222,154	222,154	0
979,486	979,486	0
89,999	89,999	0
9,309,700	9,309,700	0

2,204,644	2,206,322	1,678
3,377,000	3,377,000	0
2,000	2,000	0
9,355	9,355	0
4,500	4,500	0
(317,184)	(55,184)	262,000
3,075,671	3,337,671	262,000

5,280,315	5,543,993	263,678
2,506,115	2,506,115	0
130,741	130,741	0
\$7,917,171	\$8,180,849	\$263,678

Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Operating Revenues:</u>			
Sales	\$133,023	\$0	\$133,023
Charges for Services	0	839,915	839,915
Other Operating Revenues	11	0	11
	-----	-----	-----
<i>Total Operating Revenues</i>	133,034	839,915	972,949
	-----	-----	-----
<u>Operating Expenses:</u>			
Salaries	159,981	0	159,981
Fringe Benefits	72,138	490,281	562,419
Purchased Services	7,034	202,263	209,297
Materials and Supplies	9,847	0	9,847
Cost of Sales	221,489	0	221,489
Depreciation	1,876	0	1,876
Claims	0	294,950	294,950
Other Operating Expenses	5,994	0	5,994
	-----	-----	-----
<i>Total Operating Expenses</i>	478,359	987,494	1,465,853
	-----	-----	-----
Operating Income (Loss)	(345,325)	(147,579)	(492,904)
	-----	-----	-----
<u>Non-Operating Revenues (Expenses):</u>			
Federal Donated Commodities	26,951	0	26,951
Interest	152	0	152
Federal and State Subsidies	315,769	0	315,769
	-----	-----	-----
<i>Total Non-Operating Revenues (Expenses)</i>	342,872	0	342,872
	-----	-----	-----
Net Income (Loss)	(2,453)	(147,579)	(150,032)
	-----	-----	-----
Retained Earnings at Beginning of Year	45,315	71,392	116,707
	-----	-----	-----
Retained Earnings (Deficit) at End of Year	\$42,862	(\$76,187)	(\$33,325)
	=====	=====	=====

See accompanying notes to the general purpose financial statements

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Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999

	<u>ENTERPRISE FUND</u>			<u>INTERNAL SERVICE FUND</u>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Operating Revenues:</u>						
Sales	\$133,023	\$133,023	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	839,915	839,915	0
Refund of Prior Year Expense	11	11	0	0	0	0
Operating Grants	0	0	0	0	0	0
<i>Total Operating Revenues</i>	133,034	133,034	0	839,915	839,915	0
<u>Operating Expenses:</u>						
Salaries	163,085	163,085	0	0	0	0
Fringe Benefits	73,292	73,292	0	798,415	798,415	0
Purchased Services	7,664	7,664	0	202,263	202,263	0
Materials and Supplies	204,488	204,488	0	0	0	0
Other	5,994	5,994	0	0	0	0
<i>Total Operating Expenses</i>	454,523	454,523	0	1,000,678	1,000,678	0
Operating Income (Loss):	(321,489)	(321,489)	0	(160,763)	(160,763)	0
<u>Non-Operating Revenues and Expenses:</u>						
Interest	127	152	25	0	0	0
Federal and State Subsidies	310,852	310,852	0	0	0	0
<i>Total Non-Operating Revenues and Expenses</i>	310,979	311,004	25	0	0	0
Excess of Revenues over (under) Expenditures	(10,510)	(10,485)	25	(160,763)	(160,763)	0
Fund Equity at Beginning of Year	29,223	29,223	0	260,697	260,697	0
Prior Year Encumbrances Appropriated	910	910	0	15,448	15,448	0
Fund Equity at End of Year	\$19,623	\$19,648	\$25	\$115,382	\$115,382	\$0

See accompanying notes to the general purpose financial statements

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Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$133,023	\$839,915	\$972,938
Cash Received from Other Operating Sources	11	0	11
Cash Payments to Suppliers for Goods and Services	(217,271)	(202,263)	(419,534)
Cash Payments to Employees for Services	(163,085)	0	(163,085)
Cash Payments for Employee Benefits	(73,292)	(798,415)	(871,707)
	-----	-----	-----
Net Cash Used for Operating Activities	(320,614)	(160,763)	(481,377)
	-----	-----	-----
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	310,852	0	310,852
	-----	-----	-----
Financing Activities	310,852	0	310,852
	-----	-----	-----
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Interest on Investments	152	0	152
	-----	-----	-----
Net Cash Used for Capital and Related Financing Activities	152	0	152
	-----	-----	-----
Net Decrease in Cash and Cash Equivalents	(9,610)	(160,763)	(170,373)
	-----	-----	-----
Cash and Cash Equivalents at Beginning of Year	30,132	276,145	306,277
	-----	-----	-----
Cash and Cash Equivalents at End of Year	\$20,522	\$115,382	\$135,904
	=====	=====	=====
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>			
Operating Income (Loss)	(\$345,325)	(\$147,579)	(\$492,904)
	-----	-----	-----
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>			
Depreciation	1,876	0	1,876
Donated Commodities Used During Year	26,951	0	26,951
Changes in Assets and Liabilities:			
Increase in Inventory Held for Resale	(2,096)	0	(2,096)
Decrease in Materials and Supplies Inventory	92	0	92
Increase in Accounts Payable	50	0	50
Decrease in Accrued Wages and Benefits	(3,224)	0	(3,224)
Increase in Compensated Absences Payable	120	0	120
Decrease in Intergovernmental Payable	(1,204)	0	(1,204)
Increase in Deferred Revenue	2,146	0	2,146
Decrease in Claims Payable	0	(13,184)	(13,184)
	-----	-----	-----
Total Adjustments	24,711	(13,184)	11,527
	-----	-----	-----
Net Cash Used for Operating Activities	(\$320,614)	(\$160,763)	(\$481,377)
	=====	=====	=====

See accompanying notes to the general purpose 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 67 non-certificated employees and 94 certificated full-time teaching personnel who provide services to 1,656 students and other community members.

Scioto Valley Local School District was established in January, 1960 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 132.54 square miles. It is located in Pike County, including all of the Village of Piketon, Ohio, and portions of Camp Creek, Scioto, Seal, Sunfish, Pee Pee and Newton Townships. The School District is the 347th largest in the State of Ohio (among 612 school districts) in terms of enrollment.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(continued)

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
- < Pike County Board of Education

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 Pike County Joint Vocational School. These organizations are presented in Note 14 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Scioto Valley Local School District have been prepared in conformity with generally accepted accounting principles (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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the 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 balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Fund - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Types: (continued)

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.

Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other 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.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

Tax Budget: Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Pike County Budget Commission for rate determination.

Estimated Resources: Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

Appropriations: (continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances: As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations: At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 1999, investments were limited to a NOW interest-bearing account.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education, has by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$122,226.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents (continued)

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed 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 five hundred dollars.

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are depreciated using the straight-line method over an estimated useful life of 50 years for buildings and improvements, 5 years for textbooks, 6 to 10 years for vehicles and 5 years for infrastructure. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of twenty years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems
Day Care
Disadvantaged Pupil Impact Aid
Title VI-B
Title I
Title VI
Drug-Free Schools Program
Eisenhower Grant
School To Work

Capital Projects Funds

Technology Equity

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately seventy-six percent of the School District's operating revenue during the 1999 fiscal year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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.

For governmental funds, 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 current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for budget stabilization, encumbrances, inventories of supplies and materials, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents (an intergovernmental receivable) set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction.

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 1999, the following funds had deficit fund balance:

<i>Speical Revenue Funds</i>	
DPIA	\$ 3,486
Chapter I	54,357
EMIS	23

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (continued)

A. Accountability (continued)

At June 30, 1999, the following fund had a deficit retained earnings:

<i>Internal Service Fund</i>	
Self Insurance	\$76,187

These deficit fund balances/retained earnings were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Proprietary Fund Types are 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 basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental fund Types

	General	Special Revenue	Capital Projects	Debt Service
GAAP Basis	\$1,633,184	\$183,397	\$4,853,612	\$51,738
Revenue Accruals	(782,060)	(150,259)	0	(10,308)
Expenditure Accruals	(26,988)	58,710	(1)	0
Encumbrances	(193,345)	(29,797)	(589)	0
Budget Basis	<u>\$630,791</u>	<u>\$62,051</u>	<u>\$4,853,022</u>	<u>\$41,430</u>

Net Income (Loss)/Excess of Revenues Over (Under) Expenses
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$2,453)	(\$147,579)
Revenue Accruals	(31,868)	0
Expense Accruals	24,711	(13,184)
Encumbrances	(875)	0
Budget Basis	<u>(\$10,485)</u>	<u>(\$160,763)</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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At fiscal year end, the School District had \$2,525 in undeposited cash on hand which is included on the balance sheet of the School District as part of the "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$8,621,720 and the bank balance was \$8,830,037. Of the bank balance:

1. \$200,000 was covered by federal depository insurance.
2. \$8,630,037 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>
GASB Statement 9	\$8,624,245
Cash on Hand	(2,525)
GASB Statement 3	<u>\$8,621,720</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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

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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 6 - PROPERTY TAXES (continued)

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, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$875,898 in the General Fund, \$144,269 in the Bond Retirement Fund, and \$10,308 in the Classroom Facilities Fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$37,464,230	56.63%	\$39,173,220	57.55%
Public Utility	24,941,090	37.70%	24,487,956	35.98%
Tangible Personal Property	3,751,671	5.67%	4,404,024	6.47%
Total Assessed Value	\$66,156,991	100.00%	\$68,065,200	100.00%
Tax rate per \$1,000 of assessed valuation	\$27.90		\$27.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<i>General Fund</i>	
Excess Costs	\$32,600
Grants	900
Total General Fund	33,500
<i>Special Revenue Funds</i>	
Grants	5,989
<i>Enterprise Funds</i>	
National School Lunchroom Program	38,810
Total Intergovernmental Receivables	\$78,299

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$292,807
Less Accumulated Depreciation	<u>(271,021)</u>
Net Fixed Assets	<u><u>\$21,021</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$872,906	\$0	\$0	\$872,906
Buildings and Improvements	4,795,533	0	0	4,795,533
Furniture, Fixtures and Equipment	1,812,144	112,213	0	1,924,357
Vehicles	1,290,095	0	0	1,290,095
Textbooks	673,066	0	0	673,066
Infrastructure	<u>33,936</u>	<u>0</u>	<u>0</u>	<u>33,936</u>
Totals	9,477,680	112,213	0	9,589,893
Less Accumulated Depreciation	<u>(6,296,772)</u>	<u>(247,231)</u>	<u>0</u>	<u>(6,544,003)</u>
Total General Fixed Assets	<u><u>\$3,180,908</u></u>	<u><u>(\$135,018)</u></u>	<u><u>\$0</u></u>	<u><u>\$3,045,890</u></u>

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 1999, the School District contracted with Nationwide Mutual Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Mutual Insurance are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$23,191,500
Inland Marine Coverage (\$100 deductible)	14,838
Boiler and Machinery (\$1,000 deductible)	11,208,500
Crime Insurance	2,500
Automobile Liability (\$100 deductible)	300,000
Uninsured Motorists (\$250 deductible)	300,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

NOTE 9 - RISK MANAGEMENT (continued)

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.

A participant will then either receive money from or be required to contribute to the “equity pooling fund.” This “equity pooling fund” arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan’s selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The claims liability of \$191,569 reported in the internal service fund at June 30, 1999 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 activity for the past three fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1997	\$153,436	\$623,362	\$615,112	\$161,686
1998	\$161,686	\$533,080	\$490,013	\$204,753
1999	\$204,753	\$784,962	\$798,146	\$191,569

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Scioto Valley Local School District participates in the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined 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, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614)222-5853.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

A. School Employees Retirement System (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Schools District's contributions for to SERS for the fiscal years ending June 30, 1997, 1998, and 1999 was \$89,459, \$85,131, and, \$121,080 respectively, 46 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$65,510 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Scioto Valley Local School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614)227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contribution for pension obligations to STRS for the fiscal years ending June 30, 1997, 1998, and 1999 was \$434,887, \$461,913, and \$406,210 respectively, 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$69,768 representing the unpaid contribution for fiscal year 1999, 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, 1999, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the School District, this amount equaled \$40,830 during fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS had approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$196,677 during the 1999 fiscal year.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement and after being employed by the School District for three years, payment is made for thirty-three 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 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Classroom Facilities Obligation Bonds - 1998 - 5.30%	\$0	\$3,377,000	\$0	\$3,377,000
Pension Obligation	51,528	12,171	0	63,699
Compensated Absences	462,338	0	64,796	397,542
Total General Long-Term Obligations	<u>\$513,866</u>	<u>\$3,389,171</u>	<u>\$64,796</u>	<u>\$3,838,241</u>

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

The School District's voted legal debt margin was \$6,125,868 with an unvoted debt margin of \$68,065 at June 30, 1999.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county, elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter school districts, and one representative from the fiscal agent. The School District paid SCOCA \$10,386 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, at P. O. Box 577, 23365 St. Rt. 124, Piketon, Ohio 45661.

The Pike County Joint Vocational School - The Pike County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of the Pike County Board of Education and two representatives from the Waverly City Schools Board of Education, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pike County Joint Vocational School, Tonya L. Cooper, who serves as Treasurer, at P. O. Box 577, 23365 St. Rt. 124, Piketon, Ohio 45661.

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, 1999.

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.

NOTE 16 - SUPREME COURT CASE DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amount of monetary support to this District. During the fiscal year ended June 30, 1999, the School District received \$5,866,693 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined that they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 17 - CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 1999, the School District has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through Ohio Public Employees Deferred Compensation which is now required to be held in trust for the exclusive benefit of plan participants and their beneficiaries. The implementation of this statement required the removal of \$263,367 from the prior period balances of the School District's financial statements from both the funds on deposit with deferred compensation board and the deferred compensation payable.

NOTE 18 - YEAR 2000

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the governments's operations as early as fiscal 1999.

The School District is completing an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The School District uses the State of Ohio Uniform School Accounting system software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

NOTE 18 - YEAR 2000 (continued)

Pike County collects property taxes for distribution to the School District. Pike County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

NOTE 19 - DEFERRED COMPENSATION

School District employees may participate in the Ohio Public Employees Deferred Compensation program, created in accordance with internal Revenue Service 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 to employees until termination, retirement, death or in the case of an unforeseeable emergency.

Under the Ohio Public Employees Deferred Compensation Program, all plan assets are now being held in a trust arrangement for the exclusive benefit of participants and their beneficiaries, as required by the Small business Job Protection Act of 1996. Under this Act, all existing deferred compensation plans were required to implement such a trust arrangement by January 1, 1999. As a result, the assets of these plans are no longer reflected in the combined financial statements of the School District.

NOTE 20 - RESTATED FUND BALANCE/EQUITY

Correction of accounting errors in the prior year required that certain adjustments be recorded to the July 1, 1998 fund balances/retained earnings as previously reported. The restatements to the opening fund balances/retained earnings are as follows:

Fund Type	Previously Stated Balances <u>At 6/30/98</u>	<u>Adjustments</u>	Restated Balance <u>at 7/1/98</u>
General Fund	\$ 1,422,636	(\$12,968)	\$1,409,668

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 21 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 07/01/1998	\$0	\$0	\$43,428	\$43,428
Required Set-Aside	97,316	97,316	48,658	243,290
Offset Credits	21,671	17,222	0	38,893
Qualifying Expenditures	156,580	618,150	0	774,730
Balance 06/30/1999	(80,935)	(538,056)	92,086	(526,905)
Amount carried to FY 99	\$0	\$0	\$92,086	\$92,086

Although the School district had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>Agency/Program/Grant</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non- Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<u>U.S. Department of Agriculture</u>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program		10.550	\$ 0	\$29,098	\$ 0	\$26,952
School Breakfast Program	05-PU-98/99	10.553	91,877	0	91,877	0
National School Lunch Program	03-PU-98/99	10.555	30,687	0	30,687	0
	04-PU-98/99		<u>165,711</u>	<u>0</u>	<u>165,711</u>	<u>0</u>
Total National School Lunch Program			<u>196,398</u>	<u>0</u>	<u>196,398</u>	<u>0</u>
Total U.S. Department of Agriculture Nutrition Cluster			288,275	29,098	288,275	26,952
<u>U.S. Department of Education</u>						
Passed through Ohio Department of Education:						
Educationally Deprived Children - Local Educational Agencies Title I	C1-S1-99	84.010	476,441	0	521,450	0
Handicapped - State Grants (Part B, Education of the Handicapped Act)	6B-SF-99	84.027	78,376	0	68,190	0
School to Work		84.048	0	0	98	0
Drug Free Schools and Communities Grant	DR-S1-99	84.186	8,475	0	12,932	0
Goals 2000 Grant	G2-S1-99	84.276	36,900	0	7,491	0
Eisenhower Professional Development Grant	MS-S1-99	84.281	13,278	0	13,955	0
Innovative Education Program Strategy Title VI	C2-S1-99	84.298	<u>5,789</u>	<u>0</u>	<u>5,789</u>	<u>0</u>
Total U.S. Department of Education			<u>619,259</u>	<u>0</u>	<u>629,905</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$907,534</u>	<u>\$29,098</u>	<u>\$918,180</u>	<u>\$26,952</u>

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Note A - Significant Accounting Policies

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

Note B - Food Distribution

Non monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 1999 the School District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Scioto Valley Local School District
Pike County
Post Office Box 600
Piketon, Ohio 45661

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Scioto Valley Local School District, Pike County, Ohio (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 23, 1999 in which we indicated that the School District had changed its method of accounting for deferred compensation. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Scioto Valley Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the School District in a separate letter dated December 23, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scioto Valley Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated December 23, 1999.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

December 23, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Scioto Valley Local School District
Pike County
Post Office 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 are applicable to its major federal program for the year ended June 30, 1999. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Scioto Valley Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the Scioto Valley Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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



JIM PETRO
Auditor of State

December 23, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

1. SUMMARY OF AUDITOR RESULTS

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

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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The audit of Scioto Valley Local School District, Pike County, for the year ended June 30, 1999, contained no findings that are required to be reported in accordance with GAGAS.

3. FINDINGS FOR FEDERAL AWARDS

The audit of Scioto Valley Local School District, Pike County, for the year ended June 30, 1999, contained no findings for federal awards.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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SCIOTO VALLEY LOCAL SCHOOL DISTRICT

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 18, 2000**