

Scioto Valley Local School District

Pike County

Single Audit

July 1, 2003 through June 30, 2004

Fiscal Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Education
Scioto Valley Local School District
P.O. Box 600
Piketon, OH 45661

We have reviewed the Independent Auditor's Report of the Scioto Valley Local School District, Pike County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 20, 2005

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Scioto Valley Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Funds Balances To Net Assets of Governmental Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund	15
Statement of Fund Net Assets – Governmental Activities – Internal Service Fund.....	16
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Governmental Activities – Internal Service Fund.....	17
Statement of Cash Flows – Governmental Activities – Internal Service Fund.....	18
Statement of Fiduciary Assets and Liabilities.....	19
Notes to the Basic Financial Statements.....	20-39
Schedule of Federal Awards Expenditures	40
Notes to Schedule of Federal Awards Expenditures	41
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	42
Report on Compliance With Requirement Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	43-44
Schedule of Findings & Questioned Costs OMB Circular A-133 Section .505.....	45-46

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Scioto Valley Local School District
P.O. Box 600
Piketon, Ohio 45661

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scioto Valley Local School District (the School District), Pike County, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2004, and the respective changes in financial position, and cash flows where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2004 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

December 17, 2004

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of the Scioto Valley Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2004 are as follows:

- Net assets of governmental activities increased \$1,816,046.
- General revenues accounted for \$12,280,847 in revenue or 79% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$3,284,259 or 21% of total revenues of \$15,565,106.
- The School District had \$13,749,060 in expenses related to governmental activities; only \$3,284,259 of these expenses were offset by program specific charges for services, grants and contributions.
- The School District has three major funds; the General Fund, the Debt Service Fund and the Classroom Facilities Capital Projects Fund. The General Fund had \$10,556,589 in revenues and \$12,256,040 in expenditures. The General Fund's balance decreased \$1,519,549 with approximately \$1.4 million being due to capital improvements. The Debt Service Fund had \$506,684 in revenues and \$273,244 in expenditures. The Debt Service Fund's balance increased \$233,440. The Classroom Facilities Capital Projects Fund had \$1,977,675 in revenues and \$3,750,208 in expenditures. The Classroom Facilities Capital Projects Fund's balance decreased by \$1,772,533 due to the capital improvement expenditures made during fiscal year 2004.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

- In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 6. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Debt Service Fund and the Classroom Facilities Capital Projects Fund.

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

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.

	Governmental Activities	
	2004	2003*
Assets		
Current and Other Assets	\$13,845,339	\$19,956,465
Capital Assets	29,987,428	25,155,738
Total Assets	<u>43,832,767</u>	<u>45,112,203</u>
Liabilities		
Long-term Liabilities	3,691,393	3,711,092
Other Liabilities	3,974,614	7,050,397
Total Liabilities	<u>7,666,007</u>	<u>10,761,489</u>
Net Assets		
Invested in Capital Assets, Net of Debt	26,821,043	22,073,255
Restricted	3,399,228	4,656,647
Unrestricted	<u>5,946,489</u>	<u>7,620,812</u>
Total Net Assets	<u>\$36,166,760</u>	<u>\$34,350,714</u>

Total net assets of the District as a whole increased \$1,816,046.

* As restated – see Note 3

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2004 and June 30, 2003.

Table 2
Changes in Net Assets

	Governmental Activities	
	2004	2003*
Revenues		
Program Revenues		
Charges for Services and Sales	\$393,582	\$317,342
Operating Grants and Contributions	2,890,677	2,787,252
Capital Grants and Contributions	0	350
Total Program Revenues	<u>3,284,259</u>	<u>3,104,944</u>
General Revenues		
Property Taxes	3,309,042	2,430,786
Grants and Entitlements	8,636,172	5,800,141
Investment Earnings	274,107	358,525
Miscellaneous	61,526	89,848
Total General Revenues	<u>12,280,847</u>	<u>8,679,300</u>
Total Revenues	<u>15,565,106</u>	<u>11,784,244</u>
Program Expenses		
Instruction:		
Regular	5,614,320	5,081,400
Special	1,602,099	1,622,796
Vocational	11,095	0
Other	4,905	5,148
Support Services:		
Pupil	607,194	495,185
Instructional Staff	766,362	651,467
Board of Education	9,783	9,838
Administration	939,021	897,771
Fiscal	276,153	1,235,448
Operation and Maintenance of Plant	1,766,781	1,609,864
Pupil Transportation	1,060,328	1,004,405
Central	172,382	102,084
Operation of Non-Instructional Services	406,609	515,893
Extracurricular Activities	274,085	334,513
Intergovernmental	58,544	57,919
Interest and Fiscal Charges	179,399	179,362
Total Expenses	<u>13,749,060</u>	<u>13,803,093</u>
Decrease in Net Assets	1,816,046	(2,018,849)
Net Assets, Beginning of Year	<u>34,350,714</u>	<u>36,369,563</u>
Net Assets, End of Year	<u>\$ 36,166,760</u>	<u>\$ 34,350,714</u>

* As restated – see Note 3

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2004		2003	
Program Expenses				
Instruction:				
Regular	\$5,614,320	(\$4,967,291)	\$5,081,400	(\$4,480,899)
Special	1,602,099	(793,759)	1,622,796	(625,419)
Vocational	11,095	491	0	0
Other	4,905	(4,905)	5,148	(5,148)
Support Services:				
Pupil	607,194	(467,685)	495,185	(397,165)
Instructional Staff	766,362	(398,533)	651,467	(386,546)
Board of Education	9,783	(9,648)	9,838	(9,754)
Administration	939,021	(915,021)	897,771	(875,659)
Fiscal	276,153	(255,497)	1,235,448	(1,222,658)
Operation and Maintenance of Plant	1,766,781	(1,729,262)	1,609,864	(1,592,426)
Pupil Transportation	1,060,328	(553,917)	1,004,405	(534,278)
Central	172,382	(157,133)	102,084	(85,560)
Operation of Non-Instructional Services	406,609	105,477	515,893	(53,199)
Extracurricular Activities	274,085	(178,170)	334,513	(250,076)
Intergovernmental	58,544	(615)	57,919	0
Interest and Fiscal Charges	179,399	(139,333)	179,362	(179,362)
Total	<u>\$13,749,060</u>	<u>(\$10,464,801)</u>	<u>\$13,803,093</u>	<u>(\$10,698,149)</u>

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,542,650 and expenditures of \$18,668,705. As previously discussed, the School District remains financially stable in terms of healthy carryovers, our ability to pay bills, and no current operating levy needs.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the School District amended its General Fund budget, but not significantly.

For the General Fund, actual budget basis revenue was \$10,296,195, below original estimates of \$10,579,023. Of this \$282,828 difference, most was due to receiving less in property taxes due to the county's largest employer and taxpayer closing. For the General Fund, actual budget basis expenditures were \$12,045,542, below original estimates of \$13,382,108. Of this \$1,336,566 difference, most was due to the conservative budgeting of the treasurer for construction costs of the new athletic complex.

The School District's ending unobligated General Fund cash balance was \$7,094,257.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, the School District had \$29,987,428 invested in land, land improvements, buildings and building improvements, furniture and equipment, vehicles, library books and textbooks, and infrastructure. For additional information on capital assets, see Note 9 to the basic financial statements. Table 4 shows fiscal year 2004 balances compared to 2003.

Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2004	2003*
Land and Land Improvements	\$4,063,846	\$3,358,489
Buildings and Improvements	24,380,327	20,300,558
Furniture and Equipment	538,553	506,506
Vehicles	765,914	722,111
Library and Textbooks	238,788	254,161
Infrastructure	0	13,913
Totals	\$29,987,428	\$25,155,738

Changes in capital assets from the prior year resulted from additions, disposals and depreciation. The 2003 balances were restated due to a revaluation by the appraisal company.

* As restated – see Note 3

Debt

At June 30, 2004, the School District had general obligation bonds outstanding of \$2,975,000. The bonds were issued for school construction. For additional information on debt, see Note 13 to the basic financial statements.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Scioto Valley Local School District
Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$11,192,709
Cash and Cash Equivalents with Fiscal Agents	20,000
Accounts Receivable	26,880
Accrued Interest Receivable	15,304
Intergovernmental Receivable	148,052
Property Taxes Receivable	2,410,980
Restricted Assets:	
Cash and Cash Equivalents with Escrow Agents	31,414
Nondepreciable Capital Assets	830,500
Depreciable Capital Assets, Net	29,156,928
	43,832,767
<i>Total Assets</i>	
Liabilities	
Accounts Payable	139,559
Contracts Payable	208,234
Accrued Wages and Benefits Payable	1,096,616
Retainage Payable	31,414
Accrued Interest Payable	25,010
Matured Bonds and Interest Payable	20,000
Claims Payable	271,000
Deferred Revenue	1,712,842
Intergovernmental Payable	469,939
Long-Term Liabilities:	
Due Within One Year	254,566
Due In More Than One Year	3,436,827
	7,666,007
<i>Total Liabilities</i>	
Net Assets	
Invested in Capital Assets, Net of Related Debt	26,821,043
Restricted for:	
Capital Projects	629,951
Debt Service	2,358,262
Other Purposes	411,015
Unrestricted	5,946,489
	\$36,166,760
Total Net Assets	\$36,166,760

See accompanying notes to the basic financial statements

Scioto Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities				Governmental Activities
Instruction:				
Regular	\$5,614,320	\$130,426	\$516,603	(\$4,967,291)
Special	1,602,099	67,658	740,682	(793,759)
Vocational	11,095	1,295	10,291	491
Other	4,905	0	0	(4,905)
Support Services:				
Pupil	607,194	20,135	119,374	(467,685)
Instructional Staff	766,362	44,695	323,134	(398,533)
Board of Education	9,783	135	0	(9,648)
Administration	939,021	11,651	12,349	(915,021)
Fiscal	276,153	4,247	16,409	(255,497)
Operation and Maintenance of Plant	1,766,781	21,054	16,465	(1,729,262)
Pupil Transportation	1,060,328	12,096	494,315	(553,917)
Central	172,382	2,900	12,349	(157,133)
Operation of Non-Instructional Services	406,609	57,229	454,857	105,477
Extracurricular Activities	274,085	13,588	82,327	(178,170)
Intergovernmental	58,544	6,473	51,456	(615)
Interest and Fiscal Charges	179,399	0	40,066	(139,333)
<i>Total Governmental Activities</i>	<u>\$13,749,060</u>	<u>\$393,582</u>	<u>\$2,890,677</u>	<u>(10,464,801)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				2,784,994
Debt Service				457,858
Classroom Facilities Maintenance				66,190
Grants and Entitlements not Restricted to Specific Programs				8,636,172
Investment Earnings				274,107
Miscellaneous				61,526
<i>Total General Revenues</i>				<u>12,280,847</u>
<i>Change in Net Assets</i>				1,816,046
<i>Net Assets Beginning of Year - See Note 3</i>				<u>34,350,714</u>
<i>Net Assets End of Year</i>				<u>\$36,166,760</u>

See accompanying notes to the basic financial statements

Scioto Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$7,094,392	\$2,273,542	\$798,310	\$671,113	\$10,837,357
Cash and Cash Equivalents with Fiscal Agents	0	20,000	0	0	20,000
Receivables:					
Property Taxes	2,062,267	292,567	0	56,146	2,410,980
Accounts	26,688	0	0	192	26,880
Accrued Interest	15,304	0	0	0	15,304
Intergovernmental	52,500	0	0	95,552	148,052
Restricted Assets:					
Cash and Cash Equivalents with Escrow Agents	0	0	31,414	0	31,414
<i>Total Assets</i>	<u>\$9,251,151</u>	<u>\$2,586,109</u>	<u>\$829,724</u>	<u>\$823,003</u>	<u>\$13,489,987</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$135,291	\$0	\$0	\$4,268	\$139,559
Accrued Wages and Benefits Payable	938,688	0	0	157,928	1,096,616
Contracts Payable	0	0	208,234	0	208,234
Retainage Payable	0	0	31,414	0	31,414
Matured Bonds and Interest Payable	0	20,000	0	0	20,000
Intergovernmental Payable	74,436	0	0	101,296	175,732
Deferred Revenue	1,711,147	243,136	0	48,713	2,002,996
<i>Total Liabilities</i>	<u>2,859,562</u>	<u>263,136</u>	<u>239,648</u>	<u>312,205</u>	<u>3,674,551</u>
Fund Balances					
Reserved for Encumbrances	455,080	0	389,461	23,179	867,720
Reserved for Property Taxes	122,414	17,153	0	2,701	142,268
Unreserved, Undesignated, Reported in:					
General Fund	5,814,095	0	0	0	5,814,095
Special Revenue Funds	0	0	0	445,043	445,043
Debt Service Funds	0	2,305,820	0	0	2,305,820
Capital Projects Funds	0	0	200,615	39,875	240,490
<i>Total Fund Balances</i>	<u>6,391,589</u>	<u>2,322,973</u>	<u>590,076</u>	<u>510,798</u>	<u>9,815,436</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,251,151</u>	<u>\$2,586,109</u>	<u>\$829,724</u>	<u>\$823,003</u>	<u>\$13,489,987</u>

See accompanying notes to the basic financial statements

Scioto Valley Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances		\$ 9,815,436
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		29,987,428
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes		290,154
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds		(294,207)
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets		84,352
Long-Term Liabilities, including bonds, capital lease obligations, long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(25,010)	
Compensated Absences	(550,018)	
Capital Lease Obligations	(166,375)	
General Obligation Bonds	<u>(2,975,000)</u>	
Total		<u>(3,716,403)</u>
Net Assets of Governmental Activities		<u><u>\$ 36,166,760</u></u>

See accompanying notes to the basic financial statements

Scioto Valley Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$2,747,525	\$462,558	\$0	\$65,461	\$3,275,544
Intergovernmental	7,426,382	44,126	1,958,288	2,101,846	11,530,642
Investment Earnings	201,650	0	19,087	53,370	274,107
Charges for Services	102,877	0	0	164,840	267,717
Tuition and Fees	31,749	0	0	0	31,749
Extracurricular Activities	0	0	0	94,116	94,116
Gifts and Donations	0	0	0	7,249	7,249
Miscellaneous	46,406	0	300	14,820	61,526
<i>Total Revenues</i>	<u>10,556,589</u>	<u>506,684</u>	<u>1,977,675</u>	<u>2,501,702</u>	<u>15,542,650</u>
Expenditures					
Current:					
Instruction:					
Regular	4,521,237	0	236,218	582,445	5,339,900
Special	1,104,144	0	0	554,007	1,658,151
Vocational	0	0	0	6,870	6,870
Other	4,905	0	0	0	4,905
Support Services:					
Pupil	469,654	0	0	136,079	605,733
Instructional Staff	355,891	0	0	360,744	716,635
Board of Education	9,783	0	0	0	9,783
Administration	926,143	0	0	14,041	940,184
Fiscal	240,670	16,399	0	14,661	271,730
Operation and Maintenance of Plant	1,715,329	0	0	18,865	1,734,194
Pupil Transportation	1,033,935	0	0	3,520	1,037,455
Central	123,400	0	0	49,050	172,450
Operation of Non-Instructional Services	0	0	0	498,132	498,132
Extracurricular Activities	293,980	0	0	92,255	386,235
Intergovernmental	0	0	0	58,544	58,544
Capital Outlay	1,399,417	0	3,513,990	0	4,913,407
Debt Service:					
Principal	52,526	95,000	0	0	147,526
Interest and Fiscal Charges	5,026	161,845	0	0	166,871
<i>Total Expenditures</i>	<u>12,256,040</u>	<u>273,244</u>	<u>3,750,208</u>	<u>2,389,213</u>	<u>18,668,705</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,699,451)</u>	<u>233,440</u>	<u>(1,772,533)</u>	<u>112,489</u>	<u>(3,126,055)</u>
Other Financing Sources					
Proceeds from Sale of Capital Assets	6,001	0	0	0	6,001
Inception of Capital Lease	218,901	0	0	0	218,901
Operating Transfers In	0	0	0	45,000	45,000
Operating Transfers Out	(45,000)	0	0	0	(45,000)
<i>Total Other Financing Sources</i>	<u>179,902</u>	<u>0</u>	<u>0</u>	<u>45,000</u>	<u>224,902</u>
<i>Net Change in Fund Balance</i>	<u>(1,519,549)</u>	<u>233,440</u>	<u>(1,772,533)</u>	<u>157,489</u>	<u>(2,901,153)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>7,911,138</u>	<u>2,089,533</u>	<u>2,362,609</u>	<u>353,309</u>	<u>12,716,589</u>
<i>Fund Balances End of Year</i>	<u>\$6,391,589</u>	<u>\$2,322,973</u>	<u>\$590,076</u>	<u>\$510,798</u>	<u>\$9,815,436</u>

See accompanying notes to the basic financial statements

Scioto Valley Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds: \$ (2,901,153)

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

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

Capital Asset Additions	6,338,212	
Current Year Depreciation	<u>(1,277,510)</u>	
Total		5,060,702

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets.

Proceeds from Sale of Capital Assets	(6,001)	
Loss on Disposal of Capital Assets	<u>(223,011)</u>	
Total		(229,012)

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

Taxes	33,498	
Intergovernmental	<u>(11,041)</u>	
Total		22,457

New Capital lease obligations in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (218,901)

Repayment of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 95,000

Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 52,526

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (34,077)

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

Decrease in Compensated Absences	91,074	
Increase in Interest Payable	(12,528)	
Increase in Intergovernmental Payable	<u>(110,042)</u>	
Total		<u>(31,496)</u>

Net Change in Net Assets of Governmental Activities: \$ 1,816,046

See accompanying notes to the basic financial statements

Scioto Valley Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$ 10,579,023	\$ 10,283,100	\$ 10,296,195	\$ 13,095
Total Expenditures and Other Uses	13,382,108	12,544,977	12,045,542	499,435
Net Change in Fund Balance	(2,803,085)	(2,261,877)	(1,749,347)	512,530
Fund Balance, July 1, 2003	7,814,032	7,814,032	7,814,032	-
Prior Year Encumbrances Appropriated	1,029,572	1,029,572	1,029,572	-
Fund Balance, June 30, 2004	<u>\$ 6,040,519</u>	<u>\$ 6,581,727</u>	<u>\$ 7,094,257</u>	<u>\$ 512,530</u>

See accompanying notes to the basic financial statements

Scioto Valley Local School District
Statement of Fund Net Assets
Governmental Activities - Internal Service Fund
as of June 30, 2004

	<u>Internal Service Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$355,352</u>
<i>Total Assets</i>	<u><u>355,352</u></u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>271,000</u>
<i>Total Liabilities</i>	<u>271,000</u>
NET ASSETS:	
Unrestricted	<u><u>\$84,352</u></u>

See accompanying notes to the basic financial statements

Scioto Valley Local School District
*Statement of Revenues, Expenses and
 Changes In Fund Net Assets*
 Governmental Activities - Internal Service Fund
 For the Fiscal Year Ended June 30, 2004

	Internal Service Fund
Operating Revenues:	
Charges for Services	\$1,519,509
<i>Total Operating Revenue</i>	<i>1,519,509</i>
Operating Expenses:	
Purchased Services	295,024
Claims Expense	1,258,562
<i>Total Operating Expenses</i>	<i>1,553,586</i>
Change in Net Assets	(34,077)
Net Assets at Beginning of Year - Restated (see Note 3)	118,429
Net Assets at End of Year	\$84,352

See accompanying notes to the basic financial statements

Scioto Valley Local School District
Statement of Cashflows
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	Internal Service Fund
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Transaction with Other Funds	\$1,519,509
Cash Payments to Suppliers for Services	(295,024)
Cash Payments for Claims	(1,375,035)
<i>Net Cash Used for Operating Activities</i>	(150,550)
Cash and Cash Equivalents at Beginning of Year	505,902
Cash and Cash Equivalents at End of Year	\$355,352
<i>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</i>	
Operating Loss	(\$34,077)
<i>Changes in Assets and Liabilities:</i>	
Decrease in Claims Payable	(116,473)
<i>Net Cash Used by Operating Activities</i>	(\$150,550)
See accompanying notes to the basic financial statements	

Scioto Valley Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$22,986</u>
Total Assets	<u><u>22,986</u></u>
Liabilities	
Undistributed Monies	<u>22,986</u>
Total Liabilities	<u><u>\$22,986</u></u>

See accompanying notes to the basic financial statements

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 86 non-certificated employees and 104 certificated full-time teaching personnel who provide services to 1,679 students and other community members.

Scioto Valley Local School District was established in January, 1960 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms. The School District serves an area of approximately 132.54 square miles. It is located in Pike County, including all of the Village of Piketon, Ohio, and portions of Camp Creek, Scioto, Seal, Sunfish, Pee Pee and Newton Townships. The School District is the 347th largest in the State of Ohio (among 612 school districts) in terms of enrollment.

Reporting Entity:

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

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

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

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

The School District is associated with two organizations which are defined as a jointly governed organization. These organizations are the South Central Ohio Computer Association and Pilasco-Ross Special Education Regional Resource Center. These organizations are presented in Note 15 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Scioto Valley Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or after November 30, 1989, to its governmental activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements – During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by this School District can be classified using three categories, governmental, proprietary, and fiduciary.

Governmental Funds

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

General Fund

The General Fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Fund

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

Classroom Facilities Fund

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

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

Proprietary Funds

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

Internal Service Fund

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

Fiduciary Funds

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

Measurement Focus

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

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. Budgetary Process

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

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

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as Equity in Pooled Cash and Cash Equivalents on the balance sheet.

During fiscal year 2004, the School District had investments in federal notes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2004 amounted to \$201,650 to the General Fund, \$19,087 to the Classroom Facilities Fund and \$53,370 to the other non-major governmental funds.

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. During fiscal year 2004, the School District held monies for the construction of new school buildings. Retainage amounts at June 30, 2004 have been restricted and are presented as "Cash & Cash Equivalents with Fiscal Agents" and "Cash & Cash Equivalents with Escrow Agents" on the balance sheet.

F. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure at fiscal year end.

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

G. Interfund Activity

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

H. Compensated Absences

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Accrued Liabilities and Long-Term Obligations

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

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

J. Fund Balance Reserves

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

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

K. Estimates

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

L. Net Assets

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

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

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

For the fiscal year 2004, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No.39, “Determining Whether Certain Organizations are Component Units.” GASB Statement No. 39 is an amendment to GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationships with the primary government.

At June 30, 2004, the School District does not have any organizations that qualify as a component unit of the primary government and therefore, there was no effect on fund balance as a result of implementing GASB 39.

Restatements: Restatements were made to reclassify the internal service activity previous reported within the general fund on the modified basis and to correct accounting errors. Capital assets beginning balances have been adjusted to reflect the actual inventory balances due to a physical inventory count undertaken by an appraisal company.

These restatements had the following effects on fund balance of the major and non-major funds and net assets of the School District as they were previously reported.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

	General	Debt Service	Classroom Facilities	Non-Major	Internal Service
Fund Balances/Net Assets, June 30, 2003	\$8,039,501	\$2,089,533	\$2,254,631	\$357,636	\$0
Reclass of Internal Service Fund	(118,429)	0	0	0	118,429
Restatement Amount	(9,934)	0	107,978	(4,327)	0
Restated Fund Balances/Net Assets, June 30, 2003	<u>\$7,911,138</u>	<u>\$2,089,533</u>	<u>\$2,362,609</u>	<u>\$353,309</u>	<u>\$118,429</u>

Net Assets, June 30, 2003	\$39,329,205
Restatement Amount	93,717
Revaluation of Capital Assets	<u>(5,072,208)</u>
Restated Net Assets, June 30, 2003	<u>\$34,350,714</u>

NOTE 4 – ACCOUNTABILITY

A. Accountability - Fund Equity Deficits

At June 30, 2004, the Food Service and DPIA Special Revenue Funds had fund balance deficits of \$17,343 and \$87,128, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis); and
4. Inception of capital leases are not recorded as revenue (budget basis), but are recorded as an other financing source (GAAP basis)

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance	
	General
GAAP Basis	(\$1,519,549)
Revenue Accruals	(266,395)
Inception of Lease	(218,901)
Expenditure Accruals	755,068
Encumbrances	(499,570)
Budget Basis	(\$1,749,347)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

Deposits At year end, the carrying amount of the School District's deposits was \$9,237,794 and the bank balance was \$9,317,009. Of the bank balance, \$214,010 was covered by federal depository insurance and \$9,102,999 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 2	Carrying Amount	Fair Value
<u>Investments:</u>			
Federal Notes	\$2,029,315	\$2,029,315	\$2,029,315
Total Investments	<u>\$2,029,315</u>	<u>\$2,029,315</u>	<u>\$2,029,315</u>

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$11,267,109	\$0
Investments:		
Federal Notes	(2,029,315)	2,029,315
GASB Statement 3	<u>\$9,237,794</u>	<u>\$2,029,315</u>

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) are for calendar 2004 taxes. 2004 real property taxes are levied after April 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2004 real property taxes are collected in and intended to finance fiscal year 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004 and are collected in 2005 with real property taxes. 2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 7 - PROPERTY TAXES (continued)

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

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

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$54,844,190	28.62%	\$55,821,960	62.02%
Public Utility	14,821,680	7.74%	14,845,760	16.49%
Tangible Personal Property	121,938,760	63.64%	19,342,699	21.49%
Total Assessed Value	<u>\$191,604,630</u>	<u>100.00%</u>	<u>\$90,010,419</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$32.20		\$30.61	

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2004, was \$122,414 in the General Fund, \$2,701 in the Classroom Facilities Maintenance Nonmajor Special Revenue Fund, and \$17,153 in the Debt Service Major Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes, accounts, interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Fund	Amount
General	\$52,500
<i>Non-Major Special Revenue Funds:</i>	
Food Service	25,476
Misc. Federal Grant	14,899
Title VI-B	999
Title I	52,949
Drug Free Schools	1,229
Total Non-Major Funds	<u>95,552</u>
Total All Funds	<u>\$148,052</u>

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2004, was as follows:

	Ending Balance 6/30/03*	Additions	Deletions	Ending Balance 6/30/04
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$830,500	\$0	\$0	\$830,500
Total Capital Assets, Not Being Depreciated	<u>830,500</u>	<u>0</u>	<u>0</u>	<u>830,500</u>
Capital Assets Being Depreciated				
Land Improvements	3,147,127	865,327	(34,206)	3,978,248
Buildings and Improvements	26,354,194	5,058,402	(234,331)	31,178,265
Furniture and Equipment	813,510	168,744	(261,331)	720,923
Vehicles	2,122,316	187,010	(142,034)	2,167,292
Library Books and Textbooks	695,090	58,729	(353,947)	399,872
Infrastructure	33,936	0	(33,936)	0
Total Capital Assets, Being Depreciated	<u>33,166,173</u>	<u>6,338,212</u>	<u>(1,059,785)</u>	<u>38,444,600</u>
Less Accumulated Depreciation:				
Land Improvements	(619,138)	(159,970)	34,206	(744,902)
Building and Improvements	(6,053,636)	(819,606)	75,304	(6,797,938)
Furniture and Equipment	(307,004)	(80,286)	204,920	(182,370)
Vehicles	(1,400,205)	(143,207)	142,034	(1,401,375)
Library Books and Textbooks	(440,929)	(74,102)	353,947	(161,084)
Infrastructure	(20,023)	(339)	20,362	0
Total Accumulated Depreciation	<u>(8,840,935)</u>	<u>(1,277,510)</u>	<u>830,773</u>	<u>(9,287,672)</u>
Total Capital Assets Being Depreciated, Net	<u>24,325,238</u>	<u>5,060,702</u>	<u>(229,012)</u>	<u>29,156,928</u>
Governmental Activities Capital Assets, Net	<u>\$25,155,738</u>	<u>\$5,060,702</u>	<u>(\$229,012)</u>	<u>\$29,987,428</u>

* As Restated – See note 3

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$988,334
Support Services:	
Instructional Staff	38,043
Administration	14,623
Operation and Maintenance of Plant	339
Pupil Transportation	143,207
Non-Instructional Services	15,022
Extracurricular Activities	77,942
Total Depreciation Expense	<u>\$1,277,510</u>

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Harcum Hyre Insurance Company for property and fleet insurance, professional liability insurance and inland marine coverage. Total coverage amounted to \$46,573,700 with a \$1,000 deductible.

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

Medical/surgical and dental insurance is offered to employees through a self-insurance program. The claims liability of \$271,000 reported in the Internal Service Fund at June 30, 2004 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2002	250,175	911,350	729,165	432,360
2003	432,360	858,972	903,859	387,473
2004	387,473	1,258,562	1,375,035	271,000

NOTE 11 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$146,874, \$93,099, and \$50,210, respectively; 41 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$86,484 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer 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, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

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

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

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

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

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

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (SRP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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

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

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

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent. Of the School District's contribution, 13 percent was the portion used to fund pension obligations for 2003. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Effective July 1, 2003, the member contribution rate increased to the statutory maximum of 10 percent. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$694,490, \$483,243, and \$419,852, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$118,393 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

D. Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$52,812 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2004, employer contributions to fund health care benefits were 4.91 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$24,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$133,157.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of the annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits was \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Life Insurance and Health Care Benefits

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

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Balance Outstanding 6/30/03	Additions	Deductions	Balance Outstanding 6/30/04	Due Within One Year
Classroom Facilities Obligation					
Bonds - 1998 - 5.30%	\$3,070,000	\$0	\$95,000	\$2,975,000	\$105,000
Capital Lease	0	218,901	52,526	166,375	72,470
Compensated Absences	641,092	550,018	641,092	550,018	77,096
Total Long-Term Obligations	<u>\$3,711,092</u>	<u>\$768,919</u>	<u>\$788,618</u>	<u>\$3,691,393</u>	<u>\$254,566</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 will be paid from the fund from which the employees' salaries are paid. The capital lease will be paid from the general fund.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

The School District's voted legal debt margin was \$5,125,938 with an unvoted debt margin of \$90,010 at June 30, 2004. Principal and interest requirements to retire general obligation debt outstanding June 30, 2004, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2005	105,000	156,545	261,545
2006	110,000	150,848	260,848
2007	115,000	144,885	259,885
2008	120,000	138,658	258,658
2009	125,000	132,165	257,165
2010-2014	730,000	551,356	1,281,356
2015-2019	950,000	328,143	1,278,143
2020-2022	720,000	59,400	779,400
Totals	<u>\$2,975,000</u>	<u>\$1,662,000</u>	<u>\$4,637,000</u>

NOTE 14 – CAPITAL LEASES

During fiscal year 2004, the School District entered into a lease for fitness equipment. The lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statement

Capital assets acquired by the fitness equipment lease was for the amount of \$218,901. These capital assets have not been capitalized in the statement of net assets for governmental activities due to the \$5,000 capital asset threshold of the district. The liability was recorded in the Statement of Net Assets. Principal payments in fiscal year 2004 totaled \$52,526 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

Fiscal Year Ending June 30,	Amount
2005	\$76,737
2006	76,737
2007	19,184
Total	172,658
Less: Amount Representing Interest	(6,283)
Present Value of Net Minimum Lease Payments	<u>\$166,375</u>

NOTE 15 - 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 \$96,526 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, at P. O. Box 577, 23365 St. Rt. 124, Piketon, Ohio 45661.

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

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross CTC, Shawnee State University, and Pike, Ross, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45663.

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2003	\$0	\$0
Current year set-aside requirement	215,274	215,274
Current year offsets and Prior Yr. Carryover	(237,832)	(2,061,843)
Qualifying disbursements	(326,066)	(1,244,132)
Set-aside Balance Carried Forward		
To Future Years	(\$348,624)	(\$3,090,701)

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

NOTE 17 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

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 18 - STATE SCHOOL FUNDING DECISION

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

On March 4, 2003, the Plaintiffs filed a motion with the Common Pleas Court of Perry County requesting that such Court schedule and conduct a conference to address the State’s compliance with the orders of such Court and the Supreme Court. On May 16, 2003, the Ohio Supreme Court granted a Writ of Prohibition as filed by the State and ordered the Common Pleas Court of Perry County to dismiss the motion for a compliance conference. The Ohio Supreme Court further stated again its ruling made on December 11, 2002.

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

NOTE 19 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2004, were as follows:

Fund	Transfer From	Transfer To
Major Fund:		
General	\$45,000	\$0
Non Major Special Revenue Fund:		
Food Service		45,000
Total	\$45,000	\$45,000

The transfers were made from the General Fund (a major fund) to the Food Service Fund (a non-major fund) to provide support for operating activities of that fund.

NOTE 20 - DEFERRED COMPENSATION

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

Scioto County Joint Vocational School District
Scioto County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Donation	NA	10.550	\$0	\$34,827	\$0	\$39,602
School Breakfast Program	05-PU	10.553	67,793	0	67,793	0
National School Lunch Program	LL-P4/VG-S1	10.555	208,452	0	208,452	0
Total United States Department of Agriculture - Nutrition Cluster			276,245	34,827	276,245	39,602
United States Department of Education						
<i>Passed through the Ohio Department of Education</i>						
Grants to Local Educational Agencies (Title 1)	C1-S1	84.010	598,627	0	564,990	0
Special Education Grants to States (Title VI-B)	6B-SF	84.027	247,962	0	222,280	0
Safe & Drug Free Schools and Communities	DR-S1	84.186	14,855	0	17,148	0
Goals 2000-State & Local Education Systematic Improvement Grant	G2-S1	84.276	0	0	455	0
Innovative Education Program Strategy	C2-S1	84.298	11,018	0	11,018	0
Education Technology - State Grant	TJ-S1	84.318	16,322	0	13,109	0
Rural Education	RU-S1	84.358	38,220	0	38,220	0
Improving Teacher Quality	TR-S1	84.367	130,485	0	122,682	0
Total United States Department of Education			1,057,489	0	989,902	0
Total Federal Financial Assistance			\$1,333,735	\$34,827	\$1,266,147	\$39,602

NA - Pass Through Entity Number is Not Available

See Accompanying Notes to the Schedule of Federal Awards Expenditures

Scioto Valley Local School District
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTIONS

Non monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the School District had no significant food commodities in inventory.

BALESTRA, HARR & SCHERER

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Ohio Society of Certified Public Accountants

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

Members of the Board
Scioto Valley Local School District
P.O. Box 600
Piketon, Ohio 45661

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scioto Valley Local School District (the School District), as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over the financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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.

Compliance over Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School District in a separate letter dated December 17, 2004 .

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer

December 17, 2004

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

Members of the Board
Scioto Valley Local School District
P.O. Box 600
Scioto Valley, Ohio 45661

Compliance

We have audited the compliance of Scioto Valley Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

December 17, 2004

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

SCIOTO VA LLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY
JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

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

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

SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY
JUNE 30, 2004

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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**SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2005**