



**Auditor of State
Betty Montgomery**

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Symmes Valley Local School District
Lawrence County
14778 State Route 141
Willow Wood, Ohio 45696

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Symmes Valley Local School District, Lawrence County, Ohio (the School District), 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As described in Note 3, during the year ended June 30, 2004, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Also, as mentioned in Note 3, during the year ended June 30, 2004, the School District adopted GASB Statements 37, 38 and 39 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2005 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

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



Betty Montgomery
Auditor of State

June 24, 2005

Symmes Valley Local School District, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2004

The discussion and analysis of the Symmes Valley Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 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 decreased \$136,130.
- General revenues accounted for \$5,953,587 or 74% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$2,068,077 or 26% of total revenues of \$8,021,664.
- The School District had \$8,157,794 in expenses related to governmental activities; \$2,068,077 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$5,953,587 were not adequate to provide for these programs.
- The School District has one major fund, the General Fund, which had \$6,155,434 in revenues and \$5,915,573 in expenditures. The General Fund's balance increased \$213,447.

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 Symmes 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 as the School District's most significant fund with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 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

Symmes Valley Local School District, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2004

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, the School District's activities are all considered to be Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here 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 fund begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for multiple financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's major governmental fund is the General Fund.

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

Symmes Valley Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004*

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.

Table 1
Net Assets

	Governmental Activities	
	2004	2003 (Restated)
Assets		
Current and Other Assets	\$9,077,766	\$8,807,869
Capital Assets	11,448,723	11,838,740
Total Assets	20,526,489	20,646,609
Liabilities		
Long-term Liabilities	1,652,188	1,674,933
Other Liabilities	1,597,239	1,719,331
Total Liabilities	3,249,427	3,394,264
Net Assets		
Invested in Capital Assets, Net of Debt	10,531,842	10,795,447
Restricted	1,510,752	1,128,512
Unrestricted	5,073,621	5,328,386
Total Net Assets	\$17,116,215	\$17,252,345

Total assets decreased \$120,120 mostly due to a reduction in capital assets caused by depreciation expense. Total liabilities decreased \$144,837, mostly due to debt repayments and a reduction in compensated absences payable due to employees retiring during the fiscal year.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004. Since this is the first year Symmes Valley Local School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Symmes Valley Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004*

Table 2
Changes in Net Assets

	Governmental Activities
	<u>2004</u>
Revenues	
Program Revenues	
Charges for Services	\$382,860
Operating Grants, Contributions and Interest	1,662,589
Capital Grants and Contributions	22,628
Total Program Revenues	<u>2,068,077</u>
General Revenues	
Property Taxes	830,450
Grants and Entitlements	4,742,643
Grants - Ohio School Facilities Commission	196,828
Gifts and Donations	5,649
Investment Earnings	166,998
Miscellaneous	11,019
Total General Revenues	<u>5,953,587</u>
Total Revenues	<u>8,021,664</u>
Program Expenses	
Instruction:	
Regular	3,881,925
Special	871,756
Vocational	122,925
Support Services:	
Pupils	200,054
Instructional Staff	180,203
Board of Education	65,251
Administration	473,005
Fiscal	265,495
Operation and Maintenance of Plant	765,266
Pupil Transportation	753,730
Central	10,882
Operation of Non-Instructional Services:	
Food Service Operations	344,639
Extracurricular Activities	146,089
Interest and Fiscal Charges	76,574
Total Expenses	<u>8,157,794</u>
Decrease in Net Assets	<u>(\$136,130)</u>

Symmes Valley Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004*

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2003 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
	2004	2004
Program Expenses		
Instruction:		
Regular	\$3,881,925	\$3,069,655
Special	871,756	230,762
Vocational	122,925	81,717
Support Services:		
Pupils	200,054	172,801
Instructional Staff	180,203	129,910
Board of Education	65,251	65,063
Administration	473,005	440,832
Fiscal	265,495	237,785
Operation and Maintenance of Plant	765,266	765,266
Pupil Transportation	753,730	700,513
Central	10,882	2,856
Operation of Non-Instructional Services:		
Food Service Operations	344,639	28,292
Extracurricular Activities	146,089	87,691
Interest and Fiscal Charges	76,574	76,574
Total	<u>\$8,157,794</u>	<u>\$6,089,717</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 69% of instruction activities are supported through taxes and other general revenues.

The School District Funds

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,064,844 and expenditures of \$7,816,949.

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.

Symmes Valley Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004*

During the course of fiscal year 2004, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, final budget basis estimated revenue was \$6,174,556, above original estimates of \$5,861,955. Of this \$312,601 difference, most was due to conservative estimates.

The School District's ending unobligated General Fund balance was \$6,423,930.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$11,448,723 invested in land, buildings, improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2004	2003 (Restated)
Land	\$111,779	\$111,779
Land Improvements	362,996	389,969
Buildings and Improvements	10,367,521	10,821,741
Furniture and Equipment	196,501	233,813
Vehicles	239,733	281,438
Construction in Progress	170,193	0
Totals	<u>\$11,448,723</u>	<u>\$11,838,740</u>

See Note 9 for more information on Capital Assets.

Symmes Valley Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004*

Debt

At June 30, 2004, the School District had the following debt outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2004	2003
Bonds Payable	\$1,087,566	\$1,148,869
Energy Conservation Notes Payable	57,981	79,393
Total	<u>\$1,145,547</u>	<u>\$1,228,262</u>

See Note 14 for more information on debt.

Economic Factors

As the preceding information shows, the School District depends on the State School Foundation Program. The Symmes Valley Local School District must maintain its current spending habits to maintain its healthy financial situation. The Symmes Valley Local School District is in a low economic growth area, so dependence on local tax revenue must be minimized.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sue Ann Dial, Treasurer at Symmes Valley Local School District, 14778 State Route 141, Willow Wood, Ohio 45696.

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Symmes Valley Local School District, Ohio

Statement of Net Assets

June 30, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,933,184
Accounts Receivable	2,955
Property Taxes Receivable	902,184
Intergovernmental Receivable	182,407
Prepaid Items	33,475
Materials and Supplies Inventory	23,561
Nondepreciable Capital Assets	111,779
Depreciable Capital Assets, Net	11,336,944
<i>Total Assets</i>	20,526,489
Liabilities	
Accounts Payable	50,819
Accrued Wages and Benefits Payable	614,867
Accrued Interest Payable	7,188
Deferred Revenue	709,808
Intergovernmental Payable	214,557
Long-Term Liabilities:	
Due within One Year	175,939
Due in More than One Year	1,476,249
<i>Total Liabilities</i>	3,249,427
Net Assets	
Invested in Capital Assets, Net of Related Debt	10,531,842
Restricted for:	
Other Purposes	471,987
Bus Purchases	45,755
Budget Stabilization	42,941
Textbooks	87,758
Capital Improvements	16,281
Capital Projects	480,923
Debt Service	365,107
Unrestricted	5,073,621
<i>Total Net Assets</i>	\$17,116,215

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$3,881,925	\$245,646	\$566,624	\$	(\$3,069,655)
Special	871,756	0	640,994	0	(230,762)
Vocational	122,925	0	41,208	0	(81,717)
Support Services:					
Pupils	200,054	0	27,253	0	(172,801)
Instructional Staff	180,203	0	50,293	0	(129,910)
Board of Education	65,251	0	188	0	(65,063)
Administration	473,005	0	32,173	0	(440,832)
Fiscal	265,495	0	27,710	0	(237,785)
Operation and Maintenance of Plant	765,266	0	0	0	(765,266)
Pupil Transportation	753,730	0	30,589	22,628	(700,513)
Central	10,882	0	8,026	0	(2,856)
Operation of Non-Instructional Services:					
Food Service Operations	344,639	78,816	237,531	0	(28,292)
Extracurricular Activities	146,089	58,398	0	0	(87,691)
Interest and Fiscal Charges	76,574	0	0	0	(76,574)
Totals	\$8,157,794	\$382,860	\$1,662,589	\$22,628	(6,089,717)
General Revenues					
Property Taxes Levied for					
General Purposes					640,890
Capital Outlay					14,529
Debt Service					175,031
Gifts and Donations					5,649
Grants and Entitlements not Restricted to Specific Programs					4,742,643
Grants - Ohio School Facilities Commission					196,828
Investment Earnings					166,998
Miscellaneous					11,019
Total General Revenues					5,953,587
Change in Net Assets					(136,130)
Net Assets Beginning of Year - Restated - See Note 3					17,252,345
Net Assets End of Year					\$17,116,215

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,538,498	\$1,201,951	\$7,740,449
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	192,735	0	192,735
Receivables:			
Property Taxes	695,770	206,414	902,184
Accounts	0	2,955	2,955
Intergovernmental	0	182,407	182,407
Interfund Receivable	42,742	0	42,742
Prepaid Items	33,475	0	33,475
Materials and Supplies Inventory	19,847	3,714	23,561
<i>Total Assets</i>	<u>\$7,523,067</u>	<u>\$1,597,441</u>	<u>\$9,120,508</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	47,462	3,357	50,819
Contracts Payable	140,697	20,150	160,847
Accrued Wages and Benefits Payable	508,100	106,767	614,867
Intergovernmental Payable	126,911	29,646	156,557
Interfund Payable	0	42,742	42,742
Deferred Revenue	684,879	353,243	1,038,122
<i>Total Liabilities</i>	<u>1,508,049</u>	<u>555,905</u>	<u>2,063,954</u>
Fund Balances			
Reserved for Encumbrances	337,417	130,425	467,842
Reserved for Property Taxes	10,891	3,298	14,189
Reserved for Textbooks	87,758	0	87,758
Reserved for Capital Improvements	16,281	0	16,281
Reserved for Bus Purchases	45,755	0	45,755
Reserved for Budget Stabilization	42,941	0	42,941
Unreserved:			
Designated for Capital Improvements	122,018	0	122,018
Designated for Budget Stabilization	146,812	0	146,812
Unreserved, Undesignated, Reported in:			
General Fund	5,205,145	0	5,205,145
Special Revenue Funds	0	141,558	141,558
Debt Service Funds	0	330,978	330,978
Capital Project Funds	0	435,277	435,277
<i>Total Fund Balances</i>	<u>6,015,018</u>	<u>1,041,536</u>	<u>7,056,554</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,523,067</u>	<u>\$1,597,441</u>	<u>\$9,120,508</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances	\$7,056,554
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*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.	11,448,723
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	178,187	
Grants	<u>150,127</u>	328,314

Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(58,000)
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Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.	(7,188)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Refunding Bonds Payable	(1,087,566)	
Energy Conservation Bonds Payable	(57,981)	
Sick Leave Benefits Payable	<u>(506,641)</u>	<u>(1,652,188)</u>

Net Assets of Governmental Activities	<u><u>\$17,116,215</u></u>
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See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$653,561	\$193,429	\$846,990
Intergovernmental	5,102,920	1,548,408	6,651,328
Investment Earnings	152,848	14,150	166,998
Tuition and Fees	241,469	0	241,469
Charges for Services	0	78,816	78,816
Extracurricular	0	58,398	58,398
Gifts and Donations	0	5,649	5,649
Miscellaneous	4,636	10,560	15,196
<i>Total Revenues</i>	<u>6,155,434</u>	<u>1,909,410</u>	<u>8,064,844</u>
Expenditures			
Current:			
Instruction:			
Regular	2,687,835	546,988	3,234,823
Special	375,125	483,622	858,747
Vocational	111,473	578	112,051
Support Services:			
Pupils	171,327	27,148	198,475
Instructional Staff	133,955	46,419	180,374
Board of Education	64,484	767	65,251
Administration	406,476	57,020	463,496
Fiscal	257,453	6,901	264,354
Operation and Maintenance of Plant	759,376	0	759,376
Pupil Transportation	717,715	0	717,715
Central	5,020	5,862	10,882
Operation of Non-Instructional Services:			
Food Service Operations	0	340,258	340,258
Extracurricular Activities	84,637	51,455	136,092
Capital Outlay	140,697	173,580	314,277
Debt Service:			
Principal Retirement	0	126,412	126,412
Interest and Fiscal Charges	0	34,366	34,366
<i>Total Expenditures</i>	<u>5,915,573</u>	<u>1,901,376</u>	<u>7,816,949</u>
<i>Excess of Revenues Ove/(Under)Expenditures</i>	<u>239,861</u>	<u>8,034</u>	<u>247,895</u>
Other Financing Sources/(Uses)			
Transfers In	0	26,414	26,414
Transfers Out	(26,414)	0	(26,414)
<i>Total Other Financing Sources/(Uses)</i>	<u>(26,414)</u>	<u>26,414</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	213,447	34,448	247,895
<i>Fund Balances Beginning of Year- Restated (Note 3)</i>	<u>5,801,571</u>	<u>1,007,088</u>	<u>6,808,659</u>
<i>Fund Balances End of Year</i>	<u>\$6,015,018</u>	<u>\$1,041,536</u>	<u>\$7,056,554</u>

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio
*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 \$247,895

*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	226,573	
Depreciation Expense	<u>(616,590)</u>	(390,017)

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

Grants	(26,640)	
Delinquent Taxes	<u>(16,540)</u>	(43,180)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 126,412

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due:

Accrued Interest Payable	1,489	
Annual Accretion	<u>(43,697)</u>	(42,208)

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:

Intergovernmental Payables	24,938	
Sick Leave Benefits Payable	<u>(59,970)</u>	<u>(35,032)</u>

Change in Net Assets of Governmental Activities (\$136,130)

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Property Taxes	\$703,000	\$675,941	\$675,941	\$
Intergovernmental	4,779,312	5,102,920	5,102,920	0
Investment Earnings	326,275	137,938	152,912	14,974
Tuition and Fees	3,014	241,469	241,469	0
Charges for Services	6,614	0	0	0
Miscellaneous	43,740	16,288	16,288	0
<i>Total Revenues</i>	5,861,955	6,174,556	6,189,530	14,974
Expenditures				
Current:				
Instruction:				
Regular	2,718,121	2,708,335	2,716,255	(7,920)
Special	344,422	375,688	378,579	(2,891)
Vocational	130,632	124,061	124,061	0
Support Services:				
Pupils	186,641	173,139	173,139	0
Instructional Staff	135,920	136,831	136,831	0
Board of Education	94,600	67,286	67,286	0
Administration	417,038	411,383	411,722	(339)
Fiscal	261,019	260,988	260,988	0
Operation and Maintenance of Plant	692,874	944,620	944,620	0
Pupil Transportation	787,600	843,742	845,885	(2,143)
Central	5,000	5,000	5,000	0
Extracurricular Activities	118,597	84,529	84,529	0
<i>Total Expenditures</i>	5,892,464	6,135,602	6,148,895	(13,293)
<i>Excess of Revenues Over/(Under) Expenditures</i>	(30,509)	38,954	40,635	1,681
Other Financing Sources/(Uses)				
Transfers In	239,761	0	0	0
Transfers Out	(280,000)	(1,849)	(26,414)	(24,565)
<i>Total Other Financing Sources/(Uses)</i>	(40,239)	(1,849)	(26,414)	(24,565)
<i>Net Change in Fund Balance</i>	(70,748)	37,105	14,221	(22,884)
<i>Fund Balance Beginning of Year</i>	6,285,348	6,285,348	6,285,348	0
Prior Year Encumbrances Appropriated	124,361	124,361	124,361	0
<i>Fund Balance End of Year</i>	\$6,338,961	\$6,446,814	\$6,423,930	(\$22,884)

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2004

Assets

Equity in Pooled Cash and Cash Equivalents \$49,373

Liabilities

Due to Students \$49,373

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 1 - Description of the School District and Reporting Entity

Symmes Valley Local School District, Lawrence County (the School District), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

Reporting Entity

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and federal agencies. This Board of Education controls the School District's two instructional/support facilities staffed by 40 non-certified employees, 69 certificated full time teaching personnel and ten administrators who provide services to 920 students.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Symmes 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 for the organization. The School District has no component units.

The School District participates in three organizations, two of which are defined as a jointly governed organizations and one as an insurance purchasing pool. The jointly governed organizations are the South Central Ohio Computer Association and the Pilasco-Ross Special Education Regional Resource Center, and the insurance purchasing pool is the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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 stand-alone government, except for the fiduciary fund.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal 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; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal 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 governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Fiduciary Fund is reported by 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. There are two categories of funds used by this School District: Governmental and Fiduciary.

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

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

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Fiduciary Fund Types 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. Trust Funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund, which accounts for student activities.

C. 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 (e.g., revenues) and decreases (e.g., 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.

D. 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 fiduciary fund also uses the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the 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. 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 sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the 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 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 expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

basis, revenue from nonexchange 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 fiscal year end: property taxes available as an advance, investment earnings, tuition, grants, fees, and rentals.

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.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

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

During fiscal year 2004, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$152,848, which includes \$11,036 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which services are consumed.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

G. Inventory

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

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District for budget stabilization and the purchase of capital improvements, textbooks and other instructional material. See Note 18 for additional information regarding set-asides.

I. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally 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 fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land, land improvements that produce permanent benefits, and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	50 years
Furniture and Equipment	5 - 20 years
Vehicles	3 - 10 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. A liability is recorded for vacation eligible employees after one year of service with the School District.

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'

Symmes Valley Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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 sick leave for classified and certified employees after ten years of current service with the School District.

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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 during the current fiscal year. Bonds, notes and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

L. 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. Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

M. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks, capital improvements, bus purchases, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

N. Designated Fund Balance

The School District has General Fund balance designations of \$122,018 for capital improvements and \$146,812 for budget stabilization. These amounts represent monies set-aside by the board of education over and above the legally required to be set-aside.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through 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 include resources restricted for food service operations and federal and state grants restricted to expenditure for specified purposes.

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Q. Estimates

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

R. 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 School District Treasurer has been given the authority to allocate appropriations among functions and objects within all funds.

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 on the budgetary statement reflect the amounts on the certificate of estimated resources in effect when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue for most line items.

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

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at year end for most line items.

Note 3 - Changes in Accounting Principles

Changes in Accounting Principles For fiscal year 2004, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", and GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Differences."

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

The government-wide financial statements split the School District's programs between business-type activities, if any, and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes and rescinds certain financial statement disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 39, further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity". The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2003.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the General and each major Special Revenue Fund. This situation did not exist for fiscal year 2004.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Restatement of Fund Balance It was determined that the Food Service Enterprise Fund should be reclassified as a special revenue fund. This restatement and the implementation of Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Nonmajor	Total
Fund Balances, June 30, 2003	\$5,798,977	\$843,347	\$6,642,324
Fund Reclassification	0	193,562	193,562
Correction of error		(29,821)	(29,821)
Interpretation 6	2,594	0	2,594
Adjusted Fund Balances, June 30, 2003	<u>\$5,801,571</u>	<u>\$1,007,088</u>	6,808,659
GASB 34 Adjustments:			
Capital Assets			11,838,740
Pension Obligation			(82,938)
Accrued Interest Payable			(8,677)
Long-term Liabilities			(1,674,933)
Long-term (Deferred) Assets			371,494
Governmental Activities Net Assets, June 30, 2003			<u>\$17,252,345</u>

	Business-Type Activities
Fund Equity, June 30, 2003	<u>\$367,627</u>
Fund Reclassification	<u>(367,627)</u>
Adjusted Net Assets, June 30, 2003	<u>\$0</u>

Note 4 – Accountability

The following funds had deficit fund balances at June 30, 2004:

	Deficit Fund Balances
Special Revenue Funds:	
Disadvantaged Pupil Impact Aid	\$48,018
Vocational Education Enhancements State Grants	405
Title I Grants to Local Educational Agencies	77,936
State Grants for Innovative Programs	849
Safe and Drug Free Schools and Communities State Grants	2,720

The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$213,447
Revenue Accruals	34,096
Beginning of Year:	
Prepaid Items	31,261
End of Year	
Prepaid Items	(33,475)
Expenditure Accruals	118,937
Encumbrances	<u>(350,045)</u>
Budget Basis	<u><u>\$14,221</u></u>

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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

date of deposit or by savings or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of 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, 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 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 marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days 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, corporate 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, 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 fiscal year end, the carrying amount of the School District's deposits was \$7,982,083 and the

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

bank balance was \$8,055,970. Of the bank balance:

1. \$100,000 was covered by federal deposit insurance; and
2. \$7,955,970 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.

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. The School District's investment in STAROhio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Carrying and Fair
STAROhio	Category 3 Value
	<u>\$474 \$474</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 cash equivalents and investments on the combined financial statements and the classifications of deposits and investments above per GASB Statement No. 3 is as follows:

	Cash and Cash	
	<u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$7,982,557	\$0
STAROhio	(474)	474
GASB Statement 3	<u>\$7,982,083</u>	<u>\$474</u>

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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 (used in business) located in the School District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence 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 includes real property, public utility property and tangible personal property taxes which are 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 of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$10,891 in the General Fund, \$3,049 in the Bond Retirement Fund, and \$249 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2003, was \$33,271 in the General Fund, \$8,945 in the Bond Retirement Fund, and \$756 in the Classroom Facilities Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

The assessed values upon which the 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	\$25,289,740	78%	\$26,215,940	77%
Public Utility Personal	5,807,520	18%	6,128,880	18%
Tangible Personal Property	1,234,550	4%	1,527,310	5%
Total	<u>\$32,331,810</u>	<u>100%</u>	<u>\$33,872,130</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$28.60		\$28.60	

Note 8 - Receivables

Receivables at June 30, 2004, consisted of property taxes, accounts, interfund, 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 year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Special Revenue Funds:	
Reading Intervention State Grant	\$12,194
Special Education Grants to States	64,117
Title I Grants to Local Educational Agencies	19,695
State Grants for Innovative Programs	1,278
Safe and Drug Free Schools and Communities State Grant	15,328
Improving Teacher Quality State Grants	39,866
Miscellaneous Federal Grants	29,929
Total Intergovernmental Receivables	<u>\$182,407</u>

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 9 - Capital Assets

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

	Balance 6/30/2003 (Restated)	Additions	Deductions	Balance 6/30/2004
Capital Assets:				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$111,779	\$0	\$0	\$111,779
Depreciable Capital Assets:				
Buildings and Improvements	14,413,997	0	0	14,413,997
Land Improvements	647,192	0	0	647,192
Furniture and Equipment	437,447	0	0	437,447
Vehicles	1,093,577	56,380	0	1,149,957
Construction in Progress	0	170,193	0	170,193
Total Capital Assets being Depreciated	<u>16,592,213</u>	<u>226,573</u>	<u>0</u>	<u>16,818,786</u>
Less Accumulated Depreciation				
Buildings and Improvements	(3,592,256)	(454,220)	0	(4,046,476)
Land Improvements	(257,223)	(26,973)	0	(284,196)
Furniture and Equipment	(203,634)	(37,312)	0	(240,946)
Vehicles	(812,139)	(98,085)	0	(910,224)
Total Accumulated Depreciation	<u>(4,865,252)</u>	<u>(616,590) *</u>	<u>0</u>	<u>(5,481,842)</u>
Total Capital Assets being Depreciated, Net	<u>11,726,961</u>	<u>(390,017)</u>	<u>0</u>	<u>11,336,944</u>
Capital Assets, Net	<u>\$11,838,740</u>	<u>(\$390,017)</u>	<u>\$0</u>	<u>\$11,448,723</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$486,645
Support Services:	
Instructional Staff	690
Administration	8,034
Fiscal	1,775
Transportation	102,357
Extracurricular	9,997
Operation of Non-Instructional Services:	
Food Service Operations	7,092
Total Depreciation Expense	<u>\$616,590</u>

Of the total capital assets being depreciated, \$1,053,436 were fully depreciated at June 30, 2004.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2004, the School District contracted with MARSH USA for property insurance in the amount of \$26,267,109.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Professional and general liability is protected by MARSH USA with a \$1,000,000 single occurrence limit and no deductible. Vehicles are covered by MARSH USA and hold no deductible for comprehensive and \$100 deductible for collision. Automobile liability coverage is as follows: a) Bodily injury each person \$100,000, b) Bodily injury each accident \$300,000 and c) Property damage each accident \$100,000. Settled claims have not exceeded this commercial coverage in any of the past five years. There has not been a significant reduction in coverage from the prior year.

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 11 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are on a twelve month contract earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers, and administrators who are not on a twelve month contract, do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit to the amount of sick leave that may be accumulated. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 60 days for both classified and certified employees.

B. Life Insurance and Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to certified and administrative employees through Community National Assurance Company. The coverage amount is \$30,000 for all employees.

Health insurance is provided by Medical Mutual of Ohio. Premiums for this coverage are \$1,200 for family coverage and \$417 for single coverage and \$779 for two party coverage. The School District pays 90% of all three premiums.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 12 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

A DB 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. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$233,444, \$476,958 and \$275,089, respectively; 72 percent has been paid for fiscal year 2004, and 100 percent has been contributed for 2003 and 2002.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement 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-

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

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 School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$51,220, \$113,947 and \$30,003, respectively; 50 percent has been contributed for fiscal year 2004, and 100 percent has been contributed for fiscal years 2003 and 2002.

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and 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.

STRS retirees who participated in the DB or Combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$77,815 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$40,618.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Note 14 – Long-Term Obligations

The changes in the School District’s long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/2003	Additions	Reductions	Principal Outstanding 6/30/2004	Amounts Due in One Year
Governmental Activities					
1998 Refunding Bonds:					
Serial Bonds 5.5%	\$620,000	\$0	\$105,000	\$515,000	\$115,000
Capital Appreciation Bonds 7.9%-8.24%	343,900	0	0	343,900	0
Accretion on Capital Appreciation Bonds	184,969	43,697	0	228,666	0
Total Refunding Bonds	1,148,869	43,697	105,000	1,087,566	115,000
Energy Conservation Note 1999, 4.5%	79,393	0	21,412	57,981	24,060
Compensated Absences	446,671	71,997	12,027	506,641	36,879
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,674,933</u>	<u>\$115,694</u>	<u>\$138,439</u>	<u>\$1,652,188</u>	<u>\$175,939</u>

Compensated absences will be paid from the funds from which the person is paid, which are the General Fund, the Food Service Special Revenue Fund, and the Title I Special Revenue Fund.

Energy Conservation Notes - On December 1, 1999, Symmes Valley Local School District issued \$147,000 in unvoted notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for an eight year period with final maturity during fiscal year 2007. The notes will be retired from the Debt Service Fund.

School Improvement General Obligation Bonds - On July 1, 1990, the Symmes Valley Local School District issued \$1,530,000 in voted general obligation bonds for the purpose of constructing a new elementary school and renovation of the high school. The bonds were issued for a 23 year period with final maturity at October 1, 2013. These bonds were refunded in 1998.

On January 26, 1998, the School District issued \$1,408,900 in general obligation refunding bonds to replace \$1,435,000 of outstanding 1990 School Improvement General Obligation Bonds. The bond issue included serial and capital appreciation bonds, in the amounts of \$1,065,000 and \$343,900, respectively. \$1,540,865 (after premium, underwriting fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1990 School Improvement Bonds. As of June 30, 2004, \$1,285,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed.

The capital appreciation bonds mature October 1, 2008 through October 1, 2013. The maturity amount of the bonds is \$970,000. For fiscal year 2004, \$43,697 was accreted for a total bond value of \$572,566.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Annual requirements to retire general obligation bonds, including accreted interest of \$626,100, are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2005	\$115,000	\$28,325	\$0	\$0
2006	120,000	22,000	0	0
2007	135,000	15,400	0	0
2008	145,000	7,975	0	0
2009	0	0	65,400	89,600
2009-2013	0	0	278,500	536,500
Total	\$515,000	\$73,700	\$343,900	\$626,100

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

Principal and interest requirements to retire the energy conservation project note outstanding at June 30, 2004, are as follows:

Ending June 30,	Principal	Interest	Total
2005	\$24,060	\$2,151	\$26,211
2006	23,444	1,122	24,566
2007	10,477	160	10,637
Total	\$57,981	\$3,433	\$61,414

The School District's overall legal debt margin was \$3,379,462, with an unvoted debt margin of \$33,872 at June 30, 2004.

Note 15 – Interfund Balances and Transfers

Interfund receivables and payables at June 30, 2004, consist of the following individual balances, representing monies advanced to federal grant funds to be repaid when grant funds are received:

	Interfund Receivable	Interfund Payable
General Fund:	\$42,742	\$0
Special Revenue Funds:		
Vocational Education Enhancements	0	405
Special Education Grants to States	0	18,644
Title I Grants to Local Educational Agencies	0	19,695
State Grants for Innovative Programs	0	1,278
Safe and Drug Free Schools and Communities State Grant	0	2,720
Total Special Revenue Funds	0	42,742
Total All Funds	\$42,742	\$42,742

During fiscal year 2004, the General Fund made transfers to the District Managed Activity Special Revenue Fund in the amount of \$1,848 to subsidize extracurricular activities. The General Fund also transferred \$24,566 to the Bond Retirement Fund for the repayment of debt.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 16 - Jointly Governed Organizations

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, and Lawrence Counties. The organization was formed with 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 of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. Symmes Valley Local School District paid \$17,687 for services provided during fiscal year 2004. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

The Pilasco-Ross Special Education Regional Resource Center is a special education center which selects its own 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. Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Shawnee State University, and the South Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2004, the School District paid \$15,180 to Pilasco-Ross. Dawson-Bryant Local School District serves as the fiscal agent for Pilasco-Ross. To obtain financial information write to the Dawson Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

Note 17 - Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 18 - Set Asides

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 and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior fiscal years, the School District was also required to set aside money for budget stabilization.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

The following cash basis information describes the change in the fiscal year end set aside amounts for budget stabilization, textbooks and capital improvements. Disclosure of this information is required by State statute.

	Budget Stabilization	Textbooks	Capital Improvements
Set-Aside Reserve Balance as of as of June 30, 2003	\$42,941	\$83,317	\$510
Current Year Set-Aside Requirement	0	129,543	129,543
Current Year Offsets	0	0	(17,414)
Qualifying Disbursements	0	(125,102)	(96,358)
Totals	<u>\$42,941</u>	<u>\$87,758</u>	<u>\$16,281</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$42,941</u>	<u>\$87,758</u>	<u>\$16,281</u>
Set-Aside Reserve Balance as of June 30, 2004	<u>\$42,941</u>	<u>\$87,758</u>	<u>\$16,281</u>

The total reserve balance for budget stabilization, textbooks and capital improvements set-asides at the end of the fiscal year was \$146,980.

Note 19 – 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 decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

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

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. 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 currently not a party to any legal proceedings.

Note 21 – Contractual Commitments

The School District has entered into contracts with various vendors for the design, renovation and additions to existing buildings in the School District totaling \$5,262,043. The amount expended on these contracts through June 30, 2004 totaled \$5,181,641. Outstanding purchase commitments at June 30, 2004 totaled \$80,402.

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR JUNE 30, 2004**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Donation	N/A	10.550	\$	\$ 30,934	\$	\$ 30,934
School Breakfast Program	05PU-2003 05PU-2004	10.553	10,201 55,187		10,201 55,187	
Total School Breakfast Program			65,388	0	65,388	0
National School Lunch Program	LLP4-2003 LLP4-2004	10.555	20,821 108,774		20,821 108,774	
Total National School Lunch Program			129,595	0	129,595	0
Total Nutrition Cluster			194,983	30,934	194,983	30,934
Total United States Department of Agriculture			194,983	30,934	194,983	30,934
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1S1-2003 C1S1-2004	84.010	44,356 333,677		75,167 353,272	
Total Title I Grants to Local Educational Agencies			378,033	0	428,439	0
Special Education - Grants to States	6BSF-2003-P 6BSF-2004	84.027	54,158 75,798		46,735 94,442	
Total Special Education - Grants to States			129,956	0	141,177	0
Safe and Drug-Free Schools and Communities - State Grants	DRS1-2002 DRS1-2003 DRS1-2004	84.186	(131) (1,024) 2,728		412 5,447	
Total Safe and Drug-Free Schools and Communities - State Grants			1,573	0	5,859	0
Goals 2000	G2S2-2001 G2S9-2001	84.276	(7,160) (2,905)			
Total Goals 2000			(10,065)	0	0	0
Eisenhower Professional Development State Grants	MSS1-2002	84.281	(6,345)			
State Grants for Innovative Programs	C2S1-2002 C2S1-2003 C2S1-2004	84.298	3,440 2,263 5,024		3,260 6,302	
Total State Grants for Innovative Programs			10,727	0	9,562	0
Education Technology State Grants	TJS1-2003 TJS1-2004	84.318	5,910 2,312		8,507	
Total Education Technology State Grants			8,222	0	8,507	0

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR JUNE 30, 2004
(Continued)**

UNITED STATES DEPARTMENT OF EDUCATION (Continued)
Passed Through Ohio Department of Education (Continued):

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
Rural Education	RUS1-2003	84.358	(1,598)		1,804	
	RUS1-2004		17,494		15,386	
Total Rural Education			15,896	0	17,190	0
Improving Teacher Quality State Grants	TRS1-2003	84.367	15,520		18,173	
	TRS1-2004		61,503		55,881	
Total Improving Teacher Quality State Grants			77,023	0	74,054	0
Total United States Department of Education			605,020	0	684,788	0
Total Federal Awards Receipts and Expenditures			\$ 800,003	\$ 30,934	\$ 879,771	\$ 30,934

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

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
YEAR ENDED JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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

NOTE C - TRANSFERS BETWEEN GRANT YEARS

During fiscal year 2003, the grant periods changed to agree with the fiscal year of school districts. The grant periods were changed from a 27 month period ending in September 30 to a 12 month period ending in June 30. These transfers were reflected as negative receipts under the old grant year and positive receipts under the new grant year on the Schedule. Transfers were made between the 2003 and 2004 grant years as follows:

Program:	Amount:	From Grant Year:	To Grant Year:
CFDA 84.186	\$ 1,024	2003	2004
CFDA 84.358	\$ 1,598	2003	2004

NOTE D - REFUND OF GRANT MONEY

During fiscal year 2004, there were refunds of money to the Ohio Department of Education due to the expiration of the periods of availability. These refunds are not reflected as expenditures on the Schedule. The refunds are shown as negative receipts. Refunds were made as follows:

From:	Amount:	Passthrough Number:
CFDA 84.186	\$ 131	DRS1-2002
CFDA 84.276	\$ 7,160	G2S2-2001
CFDA 84.276	\$ 2,905	G2S9-2001

NOTE E - TRANSFER BETWEEN GRANTS

During fiscal year 2003, the grant program with CFDA 84.281 was eliminated and a new grant program was with CFDA 84.367 was created. The following transfer was made between CFDA numbers in fiscal year 2004:

From:	To:	Amount:
CFDA 84.281	CFDA 84.367	\$ 6,345

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Auditor of State Betty Montgomery

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

Symmes Valley Local School District
Lawrence County
14778 State Route 141
Willow Wood, Ohio 45696

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Symmes Valley Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 30, 2005, wherein we noted the School District has adopted Governmental Accounting Standards Board Statements No. 34, 37, 38 and 39 and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated June 30, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated June 30, 2005, we reported other matters related to noncompliance we deemed immaterial.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Symmes Valley Local School District
Lawrence County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

June 30, 2005



Auditor of State Betty Montgomery

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

Symmes Valley Local School District
Lawrence County
14778 State Route 141
Willow Wood, Ohio 45696

To the Board of Education:

Compliance

We have audited the compliance of Symmes Valley Local School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2004. The Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

As described in 2004-001 and 2004-002 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding allowable costs/cost principles and period of availability, applying to its Title I Grants to Local Educational Agencies (CFDA 84.010). Compliance with those requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Symmes Valley Local 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 School District's management 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 directly and materially affect a major federal program 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.

We noted certain matters involving the internal control over compliance and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2004-001 and 2004-002.

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, regulations, 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 timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, of the reportable conditions described above, we consider items 2004-001 and 2004-002, to be material weaknesses.

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



Betty Montgomery
Auditor of State

May 26, 2005

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
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 material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(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	Qualified
(d)(1)(vi)	Are there any reportable findings under ' .510?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA #84.010 Nutrition Cluster – CFDA #10.550, #10.553, #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2004-001
CFDA Title and Number	Title I Grants to Local Educational Agencies 84.010
Federal Award Number / Year	C1S1-2003; C1S1-2004; C1S1-2005;
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs and Material Weakness – Period of Availability

20 U.S.C. Section 1225 (b) (2) states that any funds under any applicable program which, pursuant to paragraph (1) are available for obligation and expenditure in the year succeeding the fiscal year for which they were appropriated shall be obligated and expended in accordance with:

- (A) the Federal statutory and regulatory provisions relating to such program which are in effect for such succeeding fiscal year; and
- (B) any program plan or application submitted by such educational agencies or institutions for such educational agencies or institutions for such program for such succeeding fiscal year.

In Ohio, programs included in ODE's Consolidated Application have a project period starting with the application approval date through June 30. Any carryover to the subsequent school district fiscal year must be approved by ODE. (OMB Circular A-133 Compliance Supplement, Part H (March, 2004))

OMB Circular A-133, Compliance Supplement, Part H, defines an obligation as not necessarily a liability in accordance with generally accepted accounting principles. When an obligation occurs (is made) depends on the type of property or services that the obligation is for. OMB Circular A-133 states that the act of an SEA or other grantee awarding Federal funds to an LEA or other eligible entity with a State does not constitute a final obligation (See also GEPA Section 421(b); 34 C.F.R. sections 76.704 through 76.707.

Obligations must be liquidated prior to submitting the Final Expenditure Report, which must be filed no later than 90 days after the end of the project period. (ODE Federal Fiscal Report Procedures #1 and ODE Superintendent Weekly E-mail, December 6, 2002)

Payroll Expenditures:

The School District paid a total of \$12,028 in salaries for contract year 2004 with grant year 2003 monies.

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2004-001 (Continued)
CFDA Title and Number	Title I Grants to Local Educational Agencies 84.010
Federal Award Number / Year	C1S1-2003; C1S1-2004; C1S1-2005;
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs and Material Weakness – Period of Availability (Continued)

Nonpayroll Expenditures:

Nonpayroll disbursements in the amount of \$3,029 were made after the available period for grant year 2003. In addition, nonpayroll disbursements in the amount of \$27,059 were made for grant year 2004 prior to the application approval date of August 29, 2003.

The total of these items noted for payroll and nonpayroll expenditures of \$42,116 is considered a questioned cost.

We recommend the School District Treasurer review each purchase order to ensure that it is properly account coded prior to certifying the availability of funds. This would include reviewing the cost center to ensure that the expenditure is within the period of availability. We further recommend that salaries be paid from the grant year monies that relate to the fiscal year of the salary contract and obligations not be incurred prior to obtaining the grant application approval.

Finding Number	2004-002
CFDA Title and Number	Title I Grants to Local Educational Agencies 84.010
Federal Award Number / Year	C1S1-2004
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs and Material Weakness – Allowable Costs/Cost Principles

OMB Cost Principles Circular A-87 Attachment B Section 11(a) (now Section 8(a), effective June 9, 2004) provides that compensation for personnel services, including all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not limited to wages, salaries, and fringe benefits, are allowable to the extent that they satisfy the specific requirements of the Circular.

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

4. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2004-002 (Continued)
CFDA Title and Number	Title I Grants to Local Educational Agencies 84.010
Federal Award Number / Year	C1S1-2004;
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs and Material Weakness– Allowable Costs/Cost Principles (Continued)

Title I Coordinator's Salary

OMB Cost Principles Circular A-87 Attachment B Section 11h(4) (now Section 8h(4), effective June 9, 2004) provides that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which must, according to subsection (h)(5), (a) reflect an after-the-fact distribution of the actual activity of each employee, (b) account for the total activity for which each employee is compensated, (c) be prepared at least monthly and must coincide with one or more pay periods, and (d) be signed by the employee. Subsection (h)(5)(e) provides that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

1. The system for establishing the estimates produces reasonable approximations of the activity performed;
2. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
3. The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Symmes Valley Local School District charged 40 percent of the salary of the Title I Coordinator to the Title I grant, without the supporting documentation required by OMB Cost Principles Circular A-87. The School District did not realize this documentation was required and therefore did not maintain documentation to support the allocation of her salary. As a result, the amount charged to the Title I Grant for the Title I Coordinator salary, in the amount of \$19,626, is considered a questioned cost.

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

5. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2004-002 (Continued)
CFDA Title and Number	Title I Grants to Local Educational Agencies 84.010
Federal Award Number / Year	C1S1-2004;
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs and Material Weakness – Allowable Costs/Cost Principles (Continued)

We recommend the School District develop a method whereby the activities of the Title I Coordinator are documented as they relate to the various programs and awards. This documentation should be used to determine the allocation of each employee's salary among the various programs, grants, activities, etc. We further recommend the School District's management review the requirements of OMB Cost Principles Circular A-87 to determine the documentation and other requirements related to the allowability of costs to Federal awards to prevent such errors in the future.

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FOR THE YEAR ENDED JUNE 30, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	The Treasurer will watch the dates of expenditures more closely to ensure they fall within the available period.	June 30, 2005	Sue Ann Dial, Treasurer
2004-002	The Title I Coordinator will document time spent on the Title I program in detail.	June 30, 2005	Sue Ann Dial, Treasurer



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE 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
AUGUST 4, 2005**