



**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, the 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, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Symmes Valley Local School District, Lawrence County, Ohio, as of June 30, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2006, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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

February 6, 2006

Symmes Valley Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited*

The discussion and analysis of the Symmes Valley Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. 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 basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2005 are as follows:

- Net assets of governmental activities decreased \$470,403.
- General revenues accounted for \$6,162,802 or 72% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$2,367,695 or 28% of total revenues of \$8,530,497.
- The School District had \$9,000,900 in expenses related to governmental activities; \$2,367,695 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$6,162,802 were not adequate to provide for these programs.
- The School District has one major fund, the General Fund, which had \$6,745,203 in revenues and \$6,868,829 in expenditures. The General Fund's balance decreased \$150,636.

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 at 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 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Symmes Valley Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited*

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 8. 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, 2005

Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004.

Table 1
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	\$8,879,605	\$9,077,766
Capital Assets	11,122,512	11,448,723
Total Assets	20,002,117	20,526,489
Liabilities		
Long-term Liabilities	1,612,383	1,813,035
Other Liabilities	1,743,922	1,597,239
Total Liabilities	3,356,305	3,410,274
Net Assets		
Invested in Capital Assets, Net of Debt	10,343,045	10,531,842
Restricted	1,295,518	1,510,752
Unrestricted	5,007,249	5,073,621
Total Net Assets	\$16,645,812	\$17,116,215

Total assets and liabilities did not change significantly during the year.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005, and comparisons to fiscal year 2004.

Symmes Valley Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited*

Table 2
Changes in Net Assets

	Governmental Activities	
	2005	2004
Revenues		
Program Revenues		
Charges for Services	\$511,941	\$382,860
Operating Grants, Contributions and Interest	1,777,426	1,662,589
Capital Grants and Contributions	78,328	22,628
Total Program Revenues	<u>2,367,695</u>	<u>2,068,077</u>
General Revenues		
Property Taxes	982,070	830,450
Grants and Entitlements	5,009,672	4,742,643
Grants - Ohio School Facilities Commission	0	196,828
Gifts and Donations	7,366	5,649
Investment Earnings	149,503	166,998
Miscellaneous	14,191	11,019
Total General Revenues	<u>6,162,802</u>	<u>5,953,587</u>
Total Revenues	<u>8,530,497</u>	<u>8,021,664</u>
Program Expenses		
Instruction:		
Regular	4,134,300	3,881,925
Special	1,024,600	871,756
Vocational	143,463	122,925
Support Services:		
Pupils	212,422	200,054
Instructional Staff	195,899	180,203
Board of Education	65,959	65,251
Administration	565,217	473,005
Fiscal	270,669	265,495
Operation and Maintenance of Plant	807,213	765,266
Pupil Transportation	901,343	753,730
Central	36,329	10,882
Operation of Non-Instructional Services:		
Food Service Operations	344,840	344,639
Extracurricular Activities	225,775	146,089
Interest and Fiscal Charges	72,871	76,574
Total Expenses	<u>9,000,900</u>	<u>8,157,794</u>
Increase in Net Assets	<u>(\$470,403)</u>	<u>(\$136,130)</u>

Symmes Valley Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited*

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

Table 3
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2005	2005	2004	2004
Program Expenses				
Instruction:				
Regular	\$4,134,300	\$3,297,724	\$3,881,925	\$3,069,655
Special	1,024,600	90,443	871,756	230,762
Vocational	143,463	101,612	122,925	81,717
Support Services:				
Pupils	212,422	207,422	200,054	172,801
Instructional Staff	195,899	128,087	180,203	129,910
Board of Education	65,959	65,820	65,251	65,063
Administration	565,217	524,977	473,005	440,832
Fiscal	270,669	270,669	265,495	237,785
Operation and Maintenance of Plant	807,213	807,213	765,266	765,266
Pupil Transportation	901,343	851,921	753,730	700,513
Central	36,329	28,367	10,882	2,856
Operation of Non-Instructional Services:				
Food Service Operations	344,840	37,199	344,639	28,292
Extracurricular Activities	225,775	148,880	146,089	87,691
Interest and Fiscal Charges	72,871	72,871	76,574	76,574
Total	<u>\$9,000,900</u>	<u>\$6,633,205</u>	<u>\$8,157,794</u>	<u>\$6,089,717</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 66% 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 \$8,569,819 and expenditures of \$8,767,715.

Symmes Valley Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited*

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

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 \$6,733,453, above original estimates of \$6,058,379. Of this \$675,074 difference, most was due to conservative estimates. Final appropriations of \$6,908,411 were \$285,032 more than original appropriations of \$6,623,379.

The School District's ending General Fund balance was \$6,572,000.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$11,122,512 invested in land, buildings, improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2005	2004
Land	\$111,779	\$111,779
Construction in Progress	0	170,193
Land Improvements	433,724	362,996
Buildings and Improvements	10,104,573	10,367,521
Furniture and Equipment	156,760	196,501
Vehicles	315,676	239,733
Totals	<u>\$11,122,512</u>	<u>\$11,448,723</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, 2005
Unaudited*

Debt

At June 30, 2005, the School District had the following debt outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Bonds Payable	\$1,019,743	\$1,087,566
Energy Conservation Notes Payable	35,567	57,981
Total	<u>\$1,055,310</u>	<u>\$1,145,547</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, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,694,626
Property Taxes Receivable	1,009,240
Intergovernmental Receivable	130,586
Prepaid Items	25,514
Materials and Supplies Inventory	19,639
Nondepreciable Capital Assets	111,779
Depreciable Capital Assets, Net	<u>11,010,733</u>
<i>Total Assets</i>	<u>20,002,117</u>
Liabilities	
Accounts Payable	47,731
Accrued Wages and Benefits Payable	657,283
Accrued Interest Payable	5,567
Matured Compensated Absences Payable	19,212
Deferred Revenue	788,109
Intergovernmental Payable	226,020
Long-Term Liabilities:	
Due within One Year	158,481
Due in More than One Year	<u>1,453,902</u>
<i>Total Liabilities</i>	<u>3,356,305</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	10,343,045
Restricted for:	
Other Purposes	396,098
Bus Purchases	25,156
Budget Stabilization	42,941
Textbooks	90,642
Capital Projects	357,129
Debt Service	383,552
Unrestricted	<u>5,007,249</u>
<i>Total Net Assets</i>	<u><u>\$16,645,812</u></u>

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2005

	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	\$4,134,300	\$362,533	\$420,871	\$53,172	(\$3,297,724)
Special	1,024,600	0	934,157	0	(90,443)
Vocational	143,463	0	41,851	0	(101,612)
Support Services:					
Pupils	212,422	0	5,000	0	(207,422)
Instructional Staff	195,899	0	67,812	0	(128,087)
Board of Education	65,959	0	139	0	(65,820)
Administration	565,217	0	40,240	0	(524,977)
Fiscal	270,669	0	0	0	(270,669)
Operation and Maintenance of Plant	807,213	0	0	0	(807,213)
Pupil Transportation	901,343	0	24,266	25,156	(851,921)
Central	36,329	0	7,962	0	(28,367)
Operation of Non-Instructional Services:					
Food Service Operations	344,840	72,513	235,128	0	(37,199)
Extracurricular Activities	225,775	76,895	0	0	(148,880)
Interest and Fiscal Charges	72,871	0	0	0	(72,871)
Totals	\$9,000,900	\$511,941	\$1,777,426	\$78,328	(6,633,205)
General Revenues					
Property Taxes Levied for					
General Purposes					826,129
Debt Service					139,413
Capital Outlay					16,528
Grants and Entitlements not Restricted to Specific Programs					5,009,672
Gifts and Donations					7,366
Investment Earnings					149,503
Miscellaneous					14,191
<i>Total General Revenues</i>					<u>6,162,802</u>
<i>Change in Net Assets</i>					(470,403)
<i>Net Assets Beginning of Year</i>					<u>17,116,215</u>
<i>Net Assets End of Year</i>					<u><u>\$16,645,812</u></u>

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,432,043	\$1,103,844	\$7,535,887
Receivables:			
Property Taxes	850,833	158,407	1,009,240
Intergovernmental	0	130,586	130,586
Interfund Receivable	20,882	0	20,882
Prepaid Items	25,514	0	25,514
Materials and Supplies Inventory	18,203	1,436	19,639
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	158,739	0	158,739
<i>Total Assets</i>	<u>\$7,506,214</u>	<u>\$1,394,273</u>	<u>\$8,900,487</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$22,246	\$25,485	\$47,731
Accrued Wages and Benefits Payable	568,729	88,554	657,283
Matured Compensated Absences Payable	19,212	0	19,212
Interfund Payable	0	20,882	20,882
Deferred Revenue	828,192	242,509	1,070,701
Intergovernmental Payable	203,453	22,567	226,020
<i>Total Liabilities</i>	<u>1,641,832</u>	<u>399,997</u>	<u>2,041,829</u>
Fund Balances			
Reserved for Encumbrances	37,572	45,237	82,809
Reserved for Property Taxes	22,641	3,829	26,470
Reserved for Textbooks	90,642	0	90,642
Reserved for Bus Purchases	25,156	0	25,156
Reserved for Budget Stabilization	42,941	0	42,941
Unreserved:			
Designated for Capital Improvements	111,854	0	111,854
Designated for Budget Stabilization	146,812	0	146,812
Unreserved, Undesignated, Reported in:			
General Fund	5,386,764	0	5,386,764
Special Revenue Funds	0	246,479	246,479
Debt Service	0	360,791	360,791
Capital Project Funds	0	337,940	337,940
<i>Total Fund Balances</i>	<u>5,864,382</u>	<u>994,276</u>	<u>6,858,658</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,506,214</u>	<u>\$1,394,273</u>	<u>\$8,900,487</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, 2005*

Total Governmental Fund Balances	\$6,858,658
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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.	11,122,512
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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	194,661	
Grants	87,931	282,592

Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.	(5,567)
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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	(1,019,743)	
Energy Conservation Bonds Payable	(35,567)	
Compensated Absences Payable	(557,073)	(1,612,383)

Net Assets of Governmental Activities	<u><u>\$16,645,812</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, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$796,384	\$169,212	\$965,596
Intergovernmental	5,441,598	1,490,408	6,932,006
Investment Earnings	138,102	11,401	149,503
Tuition and Fees	359,246	0	359,246
Charges for Services	0	72,513	72,513
Extracurricular	0	72,511	72,511
Gifts and Donations	0	7,366	7,366
Miscellaneous	9,873	1,205	11,078
<i>Total Revenues</i>	<u>6,745,203</u>	<u>1,824,616</u>	<u>8,569,819</u>
Expenditures			
Current:			
Instruction:			
Regular	3,060,470	488,239	3,548,709
Special	500,623	532,142	1,032,765
Vocational	139,365	375	139,740
Support Services:			
Pupils	205,447	6,713	212,160
Instructional Staff	129,968	71,039	201,007
Board of Education	65,090	869	65,959
Administration	511,126	30,485	541,611
Fiscal	267,372	5,614	272,986
Operation and Maintenance of Plant	839,753	0	839,753
Pupil Transportation	993,677	0	993,677
Central	24,556	6,725	31,281
Operation of Non-Instructional Services:			
Food Service Operations	0	340,010	340,010
Extracurricular Activities	131,382	84,208	215,590
Capital Outlay	0	167,738	167,738
Debt Service:			
Principal Retirement	0	137,414	137,414
Interest and Fiscal Charges	0	27,315	27,315
<i>Total Expenditures</i>	<u>6,868,829</u>	<u>1,898,886</u>	<u>8,767,715</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(123,626)</u>	<u>(74,270)</u>	<u>(197,896)</u>
Other Financing Sources (Uses)			
Transfers In	0	27,010	27,010
Transfers Out	(27,010)	0	(27,010)
<i>Total Other Financing Sources (Uses)</i>	<u>(27,010)</u>	<u>27,010</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(150,636)	(47,260)	(197,896)
<i>Fund Balances Beginning of Year</i>	<u>6,015,018</u>	<u>1,041,536</u>	<u>7,056,554</u>
<i>Fund Balances End of Year</i>	<u>\$5,864,382</u>	<u>\$994,276</u>	<u>\$6,858,658</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, 2005*

Net Change in Fund Balances - Total Governmental Funds (\$197,896)

*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	304,598	
Depreciation Expense	(630,809)	(326,211)

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

Grants	(62,196)	
Delinquent Taxes	16,474	(45,722)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 137,414

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

Accrued Interest Payable	1,621	
Annual Accretion	(47,177)	(45,556)

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	58,000	
Compensated Absences Payable	(50,432)	7,568

Change in Net Assets of Governmental Activities (\$470,403)

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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$706,118	\$784,634	\$784,634	\$0
Intergovernmental	4,896,213	5,441,598	5,441,598	0
Investment Earnings	124,090	138,102	138,102	0
Tuition and Fees	323,139	359,246	359,246	0
Miscellaneous	8,819	9,873	9,873	0
<i>Total Revenues</i>	<u>6,058,379</u>	<u>6,733,453</u>	<u>6,733,453</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	2,949,543	3,046,407	3,046,407	0
Special	397,782	465,671	465,671	0
Vocational	132,365	134,837	134,837	0
Support Services:				
Pupils	182,794	200,792	200,792	0
Instructional Staff	148,843	135,093	135,093	0
Board of Education	82,312	69,845	69,845	0
Administration	441,275	481,288	481,288	0
Fiscal	274,002	254,490	254,490	0
Operation and Maintenance of Plant	1,030,188	977,364	977,364	0
Pupil Transportation	881,769	989,861	989,861	0
Central	5,250	21,895	21,895	0
Extracurricular Activities	97,256	130,868	130,868	0
<i>Total Expenditures</i>	<u>6,623,379</u>	<u>6,908,411</u>	<u>6,908,411</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(565,000)</u>	<u>(174,958)</u>	<u>(174,958)</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers In	240,622	0	0	0
Transfers Out	(282,770)	(27,010)	(27,010)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(42,148)</u>	<u>(27,010)</u>	<u>(27,010)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(607,148)	(201,968)	(201,968)	0
<i>Fund Balance Beginning of Year</i>	6,423,923	6,423,923	6,423,923	0
Prior Year Encumbrances Appropriated	350,045	350,045	350,045	0
<i>Fund Balance End of Year</i>	<u>\$6,166,820</u>	<u>\$6,572,000</u>	<u>\$6,572,000</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2005

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$44,576</u>
Liabilities	
Due to Students	<u>\$44,576</u>

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, 2005*

Note 1 - Description of the School District and Reporting Entity

Symmes Valley Local 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.

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 classified, 68 certificated full time teaching personnel, and ten administrators, who provide services to 920 students.

The reporting entity is composed 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 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. The insurance purchasing pool is the Ohio School Boards Association Workers' Compensation Group Rating Plan. 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.

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.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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. Fiduciary funds are 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.

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

Symmes Valley Local School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

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 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.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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, 2005, but which were levied to finance fiscal year 2006 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 2005, 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 2005 amounted to \$138,102, which includes \$11,729 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, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the fiscal year in which services are consumed.

G. Inventory

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

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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 externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or 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. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating current replacement cost of the capital assets to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital 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
Land Improvements	20 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, 2005*

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.

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

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, and compensated absences 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 and notes 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 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 to the funds that initially paid for them are not presented on the financial statements.

M. Interfund Balances

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.

N. 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, 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.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

O. Designated Fund Balance

The School District has General Fund balance designations of \$111,854 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 amount to be set-aside.

P. 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 enabling legislation 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 government-wide statement of net assets reports \$1,295,518 of restricted net assets. Of the restricted net assets \$383,552 has resulted from enabling legislation.

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

Q. 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.

R. 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.

S. 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

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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 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

For the fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", and GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers", and early-implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 modifies the disclosures for deposits and investments, and had no material effect on the financial statements.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The effect of the implementation of this technical bulletin had no material effect on fund balances and net assets.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

Note 4 – Accountability

The following funds had deficit fund balances at June 30, 2005:

	<u>Fund Balances</u>
Special Revenue Funds:	
Management Information Systems	\$89
Entry Year Programs	20
Disadvantaged Pupil Impact Aid	82,234
State Grants for Innovation Programs	159
Improving Teacher Quality	1,262
Education Technology State Grants and Rural Education	23,613

These deficits are due to adjustments for accrued liabilities. 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, 2005*

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 table summarizes 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	(\$150,636)
Revenue Accruals	(11,750)
Beginning of Year Prepaid Items	33,475
End of Year Prepaid Items	(25,514)
Expenditure Accruals	(7,879)
Encumbrances	<u>(39,664)</u>
Budget Basis	<u><u>(\$201,968)</u></u>

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$7,856,389 of the School District's bank balance of \$7,956,873 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all 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 FDIC.

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.

Symmes Valley Local School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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, 2005, are available to finance fiscal year 2005 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, 2005 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, 2005, was \$22,641 in the General Fund, \$3,396 in the Bond Retirement Fund, and \$433 in the Classroom Facilities Special Revenue Fund. 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.

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, 2005*

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$26,215,940	77%	\$32,090,240	78%
Public Utility Personal	6,128,880	18%	7,404,810	18%
Tangible Personal Property	1,527,310	5%	1,598,170	4%
Total	\$33,872,130	100%	\$41,093,220	100%
Tax rate per \$1,000 of assessed valuation	\$28.60		\$28.60	

Note 8 - Receivables

Receivables at June 30, 2005, consisted of property taxes, 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:

Intergovernmental Receivables	Amounts
Special Revenue Funds:	
Reading Intervention State Grant	\$10,245
Special Education Grants to States	28,714
Drug Free Schools	13,757
Improving Teacher Quality	49,873
Education Technology State Grants and Rural Education	23,613
Other Intergovernmental Receivables	4,384
Total Intergovernmental Receivables	\$130,586

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 6/30/2004	Additions	Deductions	Balance 6/30/2005
Capital Assets:				
Capital Assets not being depreciated:				
Land and Land Improvements	\$111,779	\$0	\$0	\$111,779
Construction in Progress	170,193	0	(170,193)	0
Total Capital Assets not being Depreciated	<u>281,972</u>	<u>0</u>	<u>(170,193)</u>	<u>111,779</u>
Depreciable Capital Assets:				
Buildings and Improvements	14,413,997	191,272	0	14,605,269
Land Improvements	647,192	97,889	0	745,081
Furniture and Equipment	437,447	0	0	437,447
Vehicles	1,149,957	185,630	(132,500)	1,203,087
Total Capital Assets being Depreciated	<u>16,648,593</u>	<u>474,791</u>	<u>(132,500)</u>	<u>16,990,884</u>
Less Accumulated Depreciation				
Buildings and Improvements	(4,046,476)	(454,220)	0	(4,500,696)
Land Improvements	(284,196)	(27,161)	0	(311,357)
Furniture and Equipment	(240,946)	(39,741)	0	(280,687)
Vehicles	(910,224)	(109,687)	132,500	(887,411)
Total Accumulated Depreciation	<u>(5,481,842)</u>	<u>(630,809) *</u>	<u>132,500</u>	<u>(5,980,151)</u>
Total Capital Assets being Depreciated, Net	<u>11,166,751</u>	<u>(156,018)</u>	<u>0</u>	<u>11,010,733</u>
Capital Assets, Net	<u>\$11,448,723</u>	<u>(\$156,018)</u>	<u>(\$170,193)</u>	<u>\$11,122,512</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$489,074
Support Services:	
Instructional Staff	690
Administration	8,034
Fiscal	1,775
Transportation	113,959
Extracurricular	10,185
Operation of Non-Instructional Services:	
Food Service Operations	7,092
Total Depreciation Expense	<u>\$630,809</u>

Of the total capital assets being depreciated, \$1,062,279 were fully depreciated at June 30, 2005.

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 2005, the School District contracted with Hylant Administrative Services for property insurance in the amount of \$26,269,109.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Professional and general liability is protected by Hylant Administrative Services with a \$1,000,000 single occurrence limit and no deductible. Vehicles are covered by Hylant Administrative Services and hold a \$250 deductible for comprehensive and \$500 deductible for collision. Automobile liability coverage is as follows: a) Liability \$1,000,000 , b) Auto medical payments each accident \$5,000 and c) Uninsured Motorists each accident \$1,000,000. 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 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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 payment of 65 days for certified employees and 60 days for classified 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 \$1,072 for family coverage and \$434 for single coverage. Dental Insurance is provided by Medical Mutual of Ohio. Premiums for this coverage are \$70 for family coverage, \$22 for single coverage, and \$52 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, 2005*

Note 12 - Defined Benefit Pension Plans

A. 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-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 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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 statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$91,798, \$51,220 and \$113,947; 44 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. 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 43215-3371 or by calling (614) 227-4090.

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 percent 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.

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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, 2005, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent 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, 2005, 2004, and 2003 were \$442,193, \$233,444 and \$476,958; 83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded 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 Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$34,015 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$42,912 to fund health care benefits, including the surcharge.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), 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 6/30/2004	Additions	Reductions	Principal Outstanding 6/30/2005	Amounts Due in One Year
Governmental Activities					
1998 Refunding Bonds:					
Serial Bonds 5.5%	\$515,000	\$0	\$115,000	\$400,000	\$120,000
Capital Appreciation Bonds 7.9%-8.24%	343,900	0	0	343,900	0
Accretion on Capital Appreciation Bonds	228,666	47,177	0	275,843	0
Total Refunding Bonds	<u>1,087,566</u>	<u>47,177</u>	<u>115,000</u>	<u>1,019,743</u>	<u>120,000</u>
Energy Conservation Notes 1999, 4.5%	57,981	0	22,414	35,567	22,963
Compensated Absences	506,641	107,193	56,761	557,073	15,518
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,652,188</u>	<u>\$154,370</u>	<u>\$194,175</u>	<u>\$1,612,383</u>	<u>\$158,481</u>

Compensated absences will be paid from the fund from which the person is paid, which are the General Fund, the Food Service Special Revenue Fund, the Disadvantaged Pupil Impact Aid Special Revenue Fund, the Special Education Grants to States Special Revenue Fund, the Improving Teacher Quality State Grants Special Revenue Fund, and the Title I Grants to Local Educational Agencies 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

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

for all future debt service payments on the refunded 1990 School Improvement Bonds. As of June 30, 2005, \$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 2005, \$47,177 was accreted for a total bond value of \$619,743.

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
2006	\$120,000	\$18,700	\$0	\$0
2007	135,000	11,688	0	0
2008	145,000	3,988	0	0
2009	0	0	65,400	89,600
2010	0	0	62,400	97,600
2011-2014	0	0	216,100	438,900
Total	\$400,000	\$34,376	\$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, 2005, are as follows:

Ending June 30,	Principal	Interest	Total
2006	\$23,444	\$1,122	\$24,566
2007	12,123	160	12,283
Total	\$35,567	\$1,282	\$36,849

The School District's overall legal debt margin was \$3,695,055, with an unvoted debt margin of \$41,056 at June 30, 2005.

Note 15 – Interfund Balances and Transfers

Interfund receivables and payables at June 30, 2005, 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:	\$20,882	\$0
Special Revenue Funds:		
IDEA-B	0	12,728
Drug Free Schools	0	8,154
Total Special Revenue Funds	0	20,882
Total All Funds	\$20,882	\$20,882

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

During fiscal year 2005, the General Fund made transfers to the District Managed Activity Special Revenue Fund in the amount of \$2,445 to subsidize extracurricular activities. The General Fund also transferred \$24,565 to the Bond Retirement Fund for the repayment of debt.

Note 16 - Jointly Governed Organization

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 \$19,222 for services provided during fiscal year 2005. 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 (SERRC) is a special education service center which selects its own governing board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, 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 2005, the School District paid \$7,727 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 Plan (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.

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

Symmes Valley Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

	Budget		Capital
	Stabilization	Textbooks	Improvements
Set-Aside Reserve Balance as of as of June 30, 2004	\$42,941	\$87,758	\$16,281
Current Year Set-Aside Requirement	0	129,543	129,543
Current Year Offsets	0	0	(18,499)
Qualifying Disbursements	0	(126,659)	(155,989)
Totals	<u>\$42,941</u>	<u>\$90,642</u>	<u>(\$28,664)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$42,941</u>	<u>\$90,642</u>	<u>(\$28,664)</u>
Set-Aside Reserve Balance as of June 30, 2005	<u>\$42,941</u>	<u>\$90,642</u>	<u>\$0</u>

Note 19 - 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, 2005.

B. Litigation

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

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Donation	N/A	10.550	\$0	\$ 25,806	\$0	\$ 25,806
School Breakfast Program	05PU-2004 05PU-2005	10.553	12,922 72,023		12,922 72,023	
Total School Breakfast Program			84,945	0	84,945	0
National School Lunch Program	LLP4-2004 LLP4-2005	10.555	21,844 121,486		21,844 121,486	
Total National School Lunch Program			143,330	0	143,330	0
Total Nutrition Cluster			228,275	25,806	228,275	25,806
Total U.S. Department of Agriculture			228,275	25,806	228,275	25,806
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1S1-2004 C1S1-2005	84.010	19,695 307,645		285,924	
Total Title I Grants to Local Educational Agencies			327,340	0	285,924	0
Special Education Grants to States	6BSF-2004 6BSF-2005	84.027	64,116 184,577		45,472 197,304	
Total Special Education Grants to States			248,693	0	242,776	0
Safe and Drug-Free Schools and Communities State Grants	DRS1-2004 DRS1-2005	84.186	2,587 3,368		299 11,091	
Total Safe and Drug-Free Schools and Communities State Grants			5,955	0	11,390	0
State Grants for Innovative Programs	C2S1-2004 C2S1-2005	84.298	1,278 4,194		3,634	
Total State Grants for Innovative Programs			5,472	0	3,634	0
Education Technology State Grants	TJS1-2004 TJS1-2005	84.318	6,062 819		8,374	
Total Education Technology State Grants			6,881	0	8,374	0
Rural Education	RUS1-2004 RUS1-2005	84.358	7,228 22,608		9,336 23,381	
Total Rural Education			29,836	0	32,717	0
Improving Teacher Quality State Grants	TRS1-2004 TRS1-2005	84.367	3,189 60,886		8,812 56,378	
Total Improving Teacher Quality State Grants			64,075	0	65,190	0
Total U.S. Department of Education			688,252	0	650,005	0
Total Federal Awards Receipts and Expenditures			\$ 916,527	\$ 25,806	\$ 878,280	\$ 25,806

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
FISCAL YEAR ENDED JUNE 30, 2005**

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 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 2004 and 2005 grant years as follows:

Program:	Amount:	From Grant Year:	To Grant Year:
CFDA 84.186	\$ 1,730	2004	2005



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, the 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, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 6, 2006. 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 in order to express our opinions on the basic 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 February 6, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated February 6, 2006, we reported other matters related to noncompliance we deemed immaterial.

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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

February 6, 2006



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, 2005. 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 item 2005-001 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding the 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 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, 2005.

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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, 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. We noted no matters involving the internal control over compliance and its operation that we consider 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

February 6, 2006

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS
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(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?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	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 Special Education Grants to States - CFDA # 84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(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
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Finding Number	2005-001
CFDA Title and Number	Title I Grants to Local Educational Agencies – CFDA # 84.010
Federal Award Number / Year	C1S1-2005
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs – 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. In addition, 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).

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 thru 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)

In fiscal year 2004, the School District paid salaries for contract year 2004 with grant year 2003 monies. These transactions were corrected by the School District Treasurer in fiscal year 2005 except for one memo entry that was erroneously overlooked and not corrected. This resulted in the School District paying a total of \$10,637 in salaries for contract year 2004 with grant year 2005 monies. This is considered a questioned cost.

We recommend that salaries be paid with grant monies that relate to the fiscal year of the salary contract.

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	Questioned Cost - Expenditures were made outside the available period.	No	Reissued as Finding 2005-001
2004-002	Questioned Cost - Salary Expenditures were not supported by proper documentation.	Yes	

**SYMMES VALLEY LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FOR THE YEAR ENDED JUNE 30, 2005**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-001	School District Treasurer and Federal Coordinator will work together to ensure salaries are paid from the proper grant year.	March 31, 2006	Sue Ann Dial, Treasurer



**Auditor of State
Betty Montgomery**

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**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
MARCH 16, 2006**