

SOUTHERN COLUMBIA SCHOOL DISTRICT
Catawissa, Pennsylvania
A.U.N. No. 1-16-19-750-3
Financial Statements
For the Year Ended June 30, 2005

SOUTHERN COLUMBIA SCHOOL DISTRICT
June 30, 2005

Table of Contents

	<u>Page Number</u>
Title Page	1
Table of Contents	2
Independent Auditor's Report	4
Management's Discussion and Analysis (MD&A)	6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual - General and Special Revenue Funds	22
Statement of Net Assets - Proprietary Fund	24
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	25
Statement of Cash Flows - Proprietary Fund	26
Statement of Fiduciary Net Assets - Fiduciary Funds	28

SOUTHERN COLUMBIA SCHOOL DISTRICT
June 30, 2005

Table of Contents - continued

	<u>Page Number</u>
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	29
Notes to the Financial Statements	30
Schedule of Expenditures of Federal Awards	54
Notes to the Schedule of Expenditures of Federal Awards	55
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	56
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	58
Schedule of Findings and Questioned Costs	60
Summary Schedule of Prior Year Audit Findings	61

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Southern Columbia School District
Catawissa, PA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Southern Columbia School District, Catawissa, Pennsylvania as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southern Columbia School District, Catawissa, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southern Columbia School District, Catawissa, Pennsylvania as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and the Major Special Revenue 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 September 21, 2005, on our consideration of Southern Columbia 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 15 and 22 through 23, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

SCHAEFFER, JONES, EICHNER & WAGNER, L.L.P.
Certified Public Accountants
September 21, 2005

SOUTHERN COLUMBIA AREA SCHOOL DISTRICT
CATAWISSA, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2005

The discussion and analysis of Southern Columbia Area District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial condition as a whole; readers should also review the notes to the basic financial statements and financial statements themselves to enhance their understanding of the District's financial condition.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

In November 2001, the electorate of the Southern Columbia Area School District approved a referendum implementing the provisions of Act 50 of 1998. Under Act 50 the District may not increase total local budgeted tax revenue (Real Estate, Earned Income, and Realty Transfer taxes) by a percentage greater than the increase in the Statewide Average Weekly Wage as determined by the Pennsylvania Department of Labor and Industry. Implementation began with the 2002-03 fiscal year and included increasing the Earned Income Tax rate from 0.5% to 1.5%.

In May 2005, the Board of School Directors adopted a resolution implementing the provisions of Act 72 of 2004, allowing the district's taxpayers to receive property tax relief when sufficient funds become available from gaming revenue generated in the Commonwealth. Act 72 contains restrictions similar to those of Act 50 in that property tax increase above a state-determined index requires approval of the public through a referendum process. As of this date, the Governor and General Assembly are meeting in a Special Session to modify the provisions of Act 72. The outcome and its effect on future District operations cannot be predicted at this time.

Overall, revenues were greater than expected due primarily to higher state subsidies put into place after the District's budget was adopted and higher than expected earned income tax revenue. Total expenditures were less than anticipated due to several positions left vacant by retirement, resignation or furlough and unspent grant funds, some of which were carried over into the next fiscal year. At the time of budget adoption, the District anticipated utilizing approximately \$411,085 of unrestricted fund balance in the General Fund for governmental activities during the fiscal year. Due to increased revenues and reduced expenditures, \$431 was added.

SOUTHERN COLUMBIA AREA SCHOOL DISTRICT
CATAWISSA, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)
Required Supplementary Information (RSI)
June 30, 2005

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively. The District's budget planning process includes targets for use of, or additions to, unrestricted net assets that will maintain the proper balance between the educational needs of the students and the fiscal health of the District.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- Business type activities – The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They 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 District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in

SOUTHERN COLUMBIA AREA SCHOOL DISTRICT
CATAWISSA, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)
Required Supplementary Information (RSI)
June 30, 2005

the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The District is the trustee, or fiduciary, for some scholarship and student activity funds. All of the District's fiduciary activities are report in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

SOUTHERN COLUMBIA AREA SCHOOL DISTRICT
CATAWISSA, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)
Required Supplementary Information (RSI)
June 30, 2005

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net assets were \$6,730,954 at June 30, 2005, an increase of \$445,069, as detailed in Table A-1 below.

Table A-1
Fiscal Year ended June 30, 2005 and 2004
Net Assets

	<u>2005</u>			<u>2004</u>		
	<u>Government Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	<u>Government Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Current and other assets	\$3,368,768	\$90,865	\$3,459,633	\$3,201,170	\$106,193	\$3,307,363
Capital assets	<u>10,423,114</u>	<u>32,100</u>	<u>10,455,214</u>	<u>10,778,672</u>	<u>42,573</u>	<u>10,821,245</u>
Total assets	\$13,791,882	\$122,965	\$13,914,847	\$13,979,842	\$148,766	\$14,128,608
Current and other liabilities	1,740,138	20,849	1,760,987	1,730,561	18,972	1,749,533
Long-term liabilities	<u>5,417,324</u>	<u>5,582</u>	<u>5,422,906</u>	<u>6,087,890</u>	<u>5,300</u>	<u>6,093,190</u>
Total Liabilities	\$7,157,462	\$26,431	\$7,183,893	\$7,818,451	\$24,272	\$7,842,723
Net Assets						
Invested in capital assets, net of related debt	5,007,614	32,100	5,039,714	4,723,672	42,573	4,766,245
Restricted	709,377	--	709,377	458,478	--	458,478
Unrestricted	<u>917,429</u>	<u>64,434</u>	<u>981,863</u>	<u>979,241</u>	<u>81,921</u>	<u>1,061,162</u>
Total Net Assets	<u>\$6,634,420</u>	<u>\$122,965</u>	<u>\$6,730,954</u>	<u>\$6,161,391</u>	<u>\$124,494</u>	<u>\$6,285,885</u>

Most of the District's net assets are invested in capital assets (buildings, land, and equipment). The restricted net assets are those set aside for future capital purchases or projects planned by the District. The remaining unrestricted net assets are available for future purchases or as reserves to enhance the financial strength of the District.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

SOUTHERN COLUMBIA AREA SCHOOL DISTRICT
CATAWISSA, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)
Required Supplementary Information (RSI)
June 30, 2005

Table A-2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-2
Fiscal Year ended June 30, 2005 and 2004
Changes in Net Assets

	<u>2005</u>			<u>2004</u>		
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues						
Program revenues						
Charges for services	\$52,440	\$315,067	367,507	\$36,525	\$325,837	362,362
Operating grants and contributions	3,502,534	171,684	3,674,218	3,184,227	147,997	3,332,224
General revenues						
Property & other taxes	6,860,353	--	6,860,353	6,384,787	--	6,384,787
Grants, subsidies and contributions, unrestricted	3,701,796	--	3,701,796	3,557,795	--	3,557,795
Other	<u>90,787</u>	<u>1,775</u>	<u>92,562</u>	<u>80,881</u>	<u>880</u>	<u>81,761</u>
Total revenues	<u>\$14,207,910</u>	<u>\$488,526</u>	<u>\$14,696,436</u>	<u>\$13,244,215</u>	<u>\$474,714</u>	<u>\$13,718,929</u>
Expenses						
Instruction	\$8,861,583	--	\$8,861,583	\$8,662,788	--	\$8,662,788
Instructional student support	1,065,265	--	1,065,265	1,058,091	--	1,058,091
Administrative and financial support	987,846	--	987,846	957,499	--	957,499
Operation and maintenance of plant	1,014,780	--	1,014,780	1,032,947	--	1,032,947
Pupil transportation	1,167,077	--	1,167,077	1,047,505	--	1,047,505
Student activities	343,934	--	343,934	358,788	--	358,788
Community services	46,047	--	46,047	91,389	--	91,389
Interest on long-term debt	248,349	--	248,349	231,945	--	231,945
Food Services	--	<u>516,486</u>	<u>516,486</u>	--	<u>490,663</u>	<u>490,663</u>
Total expenses	<u>\$13,734,881</u>	<u>\$516,486</u>	<u>\$14,251,367</u>	<u>\$13,440,952</u>	<u>\$490,663</u>	<u>\$13,931,615</u>
Increase (decrease) in net assets	<u>\$473,029</u>	<u>\$(27,960)</u>	<u>\$445,069</u>	<u>\$(196,737)</u>	<u>\$(15,949)</u>	<u>\$(212,686)</u>

SOUTHERN COLUMBIA AREA SCHOOL DISTRICT
CATAWISSA, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)
Required Supplementary Information (RSI)
June 30, 2005

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, food service as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes, other miscellaneous revenues and asset reserves.

Table A-3
Fiscal Year ended June 30, 2005 and 2004
Governmental Activities

<u>Functions/Programs</u>	<u>2005</u>		<u>2004</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$8,861,583	\$6,678,477	\$8,662,788	\$6,613,993
Instructional student support	1,065,265	996,186	1,058,091	1,021,203
Administrative	987,846	955,178	957,499	927,560
Operation and maintenance	1,014,780	995,336	1,032,947	1,013,277
Pupil transportation	1,167,077	342,094	1,047,505	398,444
Student activities	343,934	281,029	358,788	321,245
Community services	46,047	1,000	91,389	4,424
Interest on long-term debt	<u>248,349</u>	<u>(63,393)</u>	<u>231,945</u>	<u>(79,946)</u>
Total governmental activities	\$13,734,881	\$10,179,907	\$13,440,952	\$10,220,200
Less:				
Unrestricted grants, subsidies		<u>3,701,796</u>		<u>3,557,795</u>
Total needs from local Taxes, other revenues & net assets		<u>\$6,478,111</u>		<u>\$6,466,548</u>

SOUTHERN COLUMBIA AREA SCHOOL DISTRICT
CATAWISSA, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)
Required Supplementary Information (RSI)
June 30, 2005

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4
Fiscal Year ended June 30, 2005 and 2004
Business-type Activities

<u>Functions/Programs</u>	<u>2005</u>		<u>2004</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	\$515,250	\$29,453	\$490,663	\$16,829
Less:				
Investment earnings		<u>1,775</u>		<u>880</u>
Total business-type activities		<u>\$27,768</u>		<u>\$15,949</u>

The Statement of Revenues, Expenses and Changes in Fund Net Assets for this proprietary fund will further detail the actual results of operations.

THE DISTRICT FUNDS

At June 30, 2005, the District governmental funds reported a combined fund balance of \$2,220,419, which is an increase of \$244,553.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted revenues increased \$904,293 as a result of additional approved grants. Budgeted expenditures also increased this same amount to compensate for the additional approved grants.

SOUTHERN COLUMBIA AREA SCHOOL DISTRICT
CATAWISSA, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)
Required Supplementary Information (RSI)
June 30, 2005

Transfers between specific categories of expenditures/financing uses occur during the year. Typically, the most significant transfers occur from the budget reserve category to specific expenditure areas. The budgetary reserve includes amounts to be used to fund unforeseen expenditures or to take advantage of financial opportunities that may present themselves during the year.

Capital Reserve Fund

The District does not formally adopt a budget for the Capital Reserve Fund but maintains and annually updates a list of capital and major maintenance projects anticipated over the next five years. Except for major construction projects, the District utilizes the Capital Reserve Fund to pay for these needs. The primary source of funds for the Capital Reserve Fund is a budgeted transfer from the General Fund on an annual basis.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had \$10,423,113 invested in a broad range of capital assets, including land, site improvements, infrastructure, buildings and furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$355,559.

Table A-5
Governmental Activities
Capital assets - net of depreciation

	2005	2004
Land	\$ 25,000	\$ 25,000
Site Improvements	194,467	216,416
Infrastructure	135,940	140,563
Buildings	9,026,205	9,334,852
Furniture & Equipment	1,041,501	1,061,841

Significant capital additions during the fiscal year included replacing the Southern Columbia High School auditorium roof, purchasing 4 pupil transportation vehicles, and purchasing 48 additional computers for the G.C. Hartman Elementary Center.

SOUTHERN COLUMBIA AREA SCHOOL DISTRICT
CATAWISSA, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)
Required Supplementary Information (RSI)
June 30, 2005

Debt Administration

As of July 1, 2004, the District had total outstanding bond and note principal of \$6,055,000. During the year, the District paid principal in the amount of \$650,000 and incurred additional debt under a General Obligation Note of \$10,500. The outstanding debt as of June 30, 2005 is \$5,415,500.

Table A-6
Outstanding Debt

	2005	2004
General Obligation Bonds:		
- Bonds, Series of 2001	\$1,365,000	\$2,005,000
- Bonds, Series of 2003	4,040,000	4,045,000
- Note, Series of 2005	10,500	-

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District experiences slow but steady growth in both property assessments and residents. The 2005-06 General Fund Budget, adopted in June 2005, increased budgeted expenditures 2.6% over the 2004-05 fiscal year. Building and athletic fund budgets that were reduced 10% for 2004-05 after three years of budget freezes were maintained at those levels for 2005-06. In addition, two vacant instructional aide positions and one maintenance position vacated by furlough were not filled in 2005-06. An additional High School English teacher was included, restoring a position previously left vacant by retirement.

Budgeted revenue increased 4.0% including the maximum permitted increase under the Act 50 local tax system. The budget "gap" or difference between expenditures and revenues is \$232,803 and consists of contingencies and one-time expenditures that are covered through the use of the District's unrestricted net assets.

Historically, the actual financial results of a given fiscal year show higher revenues than forecast and lower expenditures than budgeted. Given this fact, the Board Finance Committee established the following goals for the budget gap over a 3-year period. Achieving these goals would stabilize the District's unrestricted net assets at a level that will ensure a strong financial position for the future. As you can see, all targets have been met, putting the District on stable financial ground for the foreseeable future:

Target for 2003-04	\$586,085	(target met for 2003-04)
Target for 2004-05	\$411,085	(target met for 2004-05)
Target for 2005-06	\$236,085	(target met for 2005-06)

SOUTHERN COLUMBIA AREA SCHOOL DISTRICT
CATAWISSA, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)
Required Supplementary Information (RSI)
June 30, 2005

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Manager at Southern Columbia Area School District, 800 Southern Drive, Catawissa, PA 17820, (570) 356-2331.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 992,744	\$ 78,860	\$ 1,071,604
Investments	1,704,056	-0-	1,704,056
Taxes Receivable, Net	171,119	-0-	171,119
Due from Governmental Funds	-0-	7,958	7,958
Due from Other Governments	493,849	2,153	496,002
Inventories	<u>7,000</u>	<u>1,894</u>	<u>8,894</u>
Total Current Assets	<u>3,368,768</u>	<u>90,865</u>	<u>3,459,633</u>
<u>Noncurrent Assets</u>			
Capital Assets:			
Land	25,000	-0-	25,000
Land Improvements, Net of Accumulated Depreciation	194,468	-0-	194,468
Building and Building Improvements, Net of Accumulated Depreciation	9,026,205	-0-	9,026,205
Machinery and Equipment, Net of Accumulated Depreciation	458,584	32,100	490,684
Vehicles, Net of Accumulated Depreciation	582,918	-0-	582,918
Infrastructure Assets, Net of Accumulated Depreciation	<u>135,939</u>	<u>-0-</u>	<u>135,939</u>
Total Capital Assets	<u>10,423,114</u>	<u>32,100</u>	<u>10,455,214</u>
Total Noncurrent Assets	<u>10,423,114</u>	<u>32,100</u>	<u>10,455,214</u>
 TOTAL ASSETS	 <u>\$13,791,882</u>	 <u>\$122,965</u>	 <u>\$13,914,847</u>

The accompanying notes are an integral part of these financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
<u>Current Liabilities</u>			
Due to Business-Type Funds	\$ 7,958	\$ -0-	\$ 7,958
Accounts Payable	27,842	-0-	27,842
Current Portion of Long-Term Debt	717,000	-0-	717,000
Accrued Salaries and Benefits	964,097	10,249	974,346
Deferred Revenues	10,668	10,600	21,268
Other Payables	2,073	-0-	2,073
Note Payable	<u>10,500</u>	<u>-0-</u>	<u>10,500</u>
Total Current Liabilities	<u>1,740,138</u>	<u>20,849</u>	<u>1,760,987</u>
<u>Noncurrent Liabilities</u>			
Bonds Payable	4,688,000	-0-	4,688,000
Compensated Absences Payable	<u>729,324</u>	<u>5,582</u>	<u>734,906</u>
Total Noncurrent Liabilities	<u>5,417,324</u>	<u>5,582</u>	<u>5,422,906</u>
TOTAL LIABILITIES	<u>7,157,462</u>	<u>26,431</u>	<u>7,183,893</u>
NET ASSETS			
Invested in Capital Assets Net of Related Debt	5,007,614	32,100	5,039,714
Restricted for:			
Retirement of Long-Term Debt	170	-0-	170
Capital Projects	690,662	-0-	690,662
Athletic Projects	18,545	-0-	18,545
Unrestricted	<u>917,429</u>	<u>64,434</u>	<u>981,863</u>
Total Net Assets	<u>6,634,420</u>	<u>96,534</u>	<u>6,730,954</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$13,791,882</u>	<u>\$122,965</u>	<u>\$13,914,847</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2005

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>PROGRAM</u> Charges for <u>Services</u>
<u>Governmental Activities:</u>		
Instruction	\$ 8,861,583	\$ -0-
Instructional Student Support	1,065,265	-0-
Administrative & Financial Support Services	987,846	-0-
Operation & Maintenance of Plant Services	1,014,780	-0-
Pupil Transportation	1,167,077	-0-
Student Activities	343,934	52,440
Community Services	46,047	-0-
Interest on Long-Term Debt	<u>248,349</u>	<u>-0-</u>
Total Governmental Activities	<u>13,734,881</u>	<u>52,440</u>
<u>Business-Type Activities:</u>		
Food Services	<u>516,486</u>	<u>315,067</u>
TOTAL PRIMARY GOVERNMENT	<u>\$14,251,367</u>	<u>\$367,507</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes, Net
 Grants, Subsidies & Contributions Not Restricted
 Investment Earnings
 Miscellaneous Income
 Total General Revenues, Special Items and Transfers
 Change in Net Assets
 Net Assets - July 1, 2004
 Net Assets - June 30, 2005

The accompanying notes are an integral part of these financial statements.

<u>REVENUES</u>	<u>NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS</u>		
Operating Grants and Contributions	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$2,183,106	\$(6,678,477)	\$ - 0-	\$(6,678,477)
69,079	(996,186)	-0-	(996,186)
32,668	(955,178)	-0-	(955,178)
19,444	(995,336)	-0-	(995,336)
824,983	(342,094)	-0-	(342,094)
10,465	(281,029)	-0-	(281,029)
45,047	(1,000)	-0-	(1,000)
<u>317,742</u>	<u>69,393</u>	<u>-0-</u>	<u>69,393</u>
<u>3,502,534</u>	<u>(10,179,907)</u>	<u>-0-</u>	<u>(10,179,907)</u>
<u>171,684</u>	<u>-0-</u>	<u>(29,735)</u>	<u>(29,735)</u>
<u>\$3,674,218</u>	<u>(10,179,907)</u>	<u>(29,735)</u>	<u>(10,209,642)</u>
	6,860,353	-0-	6,860,353
	3,701,796	-0-	3,701,796
	68,650	1,775	70,425
	<u>22,137</u>	<u>-0-</u>	<u>22,137</u>
	<u>10,652,936</u>	<u>1,775</u>	<u>10,654,711</u>
	473,029	(27,960)	445,069
	<u>6,161,391</u>	<u>124,494</u>	<u>6,285,885</u>
	\$ <u>6,634,420</u>	\$ <u>96,534</u>	\$ <u>6,730,954</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 972,759	\$ -0-	\$19,985	\$ 992,744
Investments	1,273,227	430,659	170	1,704,056
Taxes Receivable, Net	171,119	-0-	-0-	171,119
Due from Other Governments	493,849	-0-	-0-	493,849
Inventories	7,000	-0-	-0-	7,000
Advances to Other Funds	<u>-0-</u>	<u>260,003</u>	<u>46</u>	<u>260,049</u>
TOTAL ASSETS	<u>\$2,917,954</u>	<u>\$690,662</u>	<u>\$20,201</u>	<u>\$3,628,817</u>
LIABILITIES AND FUND BALANCES				
<u>Liabilities:</u>				
Other Payables	\$ 2,073	\$ -0-	\$ -0-	\$ 2,073
Due to Other Funds	268,007	-0-	-0-	268,007
Accounts Payable	27,842	-0-	-0-	27,842
Accrued Salaries & Benefits	962,611	-0-	1,486	964,097
Deferred Revenues	<u>146,379</u>	<u>-0-</u>	<u>-0-</u>	<u>146,379</u>
Total Liabilities	<u>1,406,912</u>	<u>-0-</u>	<u>1,486</u>	<u>1,408,398</u>
<u>Fund Balances</u>				
Specific Fund Balance Reserves	-0-	690,662	18,715	709,377
Unreserved - Designated	-0-	-0-	-0-	-0-
Unreserved - Undesignated	<u>1,511,042</u>	<u>-0-</u>	<u>-0-</u>	<u>1,511,042</u>
Total Fund Balances	<u>1,511,042</u>	<u>690,662</u>	<u>18,715</u>	<u>2,220,419</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,917,954</u>	<u>\$690,662</u>	<u>\$20,201</u>	<u>\$3,628,817</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN COLUMBIA SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 June 30, 2005

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,220,419

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 as assets in governmental funds. The cost of assets is \$18,985,458 and the accumulated depreciation is \$8,562,344. 10,423,114

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds. 135,711

Some Long-Term Liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Note Payable	\$(10,500)	
Bonds Payable	(5,405,000)	
Compensated Absences Payable	(<u>729,324</u>)	<u>(6,144,824)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 6,634,420

The accompanying notes are an integral part of these financial statements.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources	\$ 7,175,301	\$ 7,070	\$ 52,575	\$ 7,234,946
State Sources	6,184,058	-0-	9,164	6,193,222
Federal Sources	<u>785,771</u>	<u>-0-</u>	<u>-0-</u>	<u>785,771</u>
Total Revenues	<u>14,145,130</u>	<u>7,070</u>	<u>61,739</u>	<u>14,213,939</u>
EXPENDITURES				
Instruction	8,442,653	-0-	-0-	8,442,653
Support Services	3,962,507	-0-	-0-	3,962,507
Non-Instructional Services	82,105	33,049	307,876	423,030
Capital Outlay	-0-	245,850	-0-	245,850
Debt Service	<u>888,460</u>	<u>-0-</u>	<u>9,889</u>	<u>898,349</u>
Total Expenditures	<u>13,375,725</u>	<u>278,899</u>	<u>317,765</u>	<u>13,972,389</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>769,405</u>	<u>(271,829)</u>	<u>(256,026)</u>	<u>241,550</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers (From Other Funds)	(768,974)	510,974	258,000	-0-
Sale/Compensation for Fixed Assets	<u>-0-</u>	<u>3,003</u>	<u>-0-</u>	<u>3,003</u>
Total Other Financing Sources (Uses)	<u>(768,974)</u>	<u>513,977</u>	<u>258,000</u>	<u>3,003</u>
NET CHANGES IN FUND BALANCE	431	242,148	1,974	244,553
FUND BALANCE-JULY 1, 2004	<u>1,510,611</u>	<u>448,514</u>	<u>16,741</u>	<u>1,975,866</u>
FUND BALANCE-JUNE 30, 2005	\$ <u>1,511,042</u>	\$ <u>690,662</u>	\$ <u>18,715</u>	\$ <u>2,220,419</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN COLUMBIA SCHOOL DISTRICT
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 For the Year Ended June 30, 2005

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 244,553**

Amounts reported for governmental activities on the statement of activities are different because of the following:

Capital outlays are reported in governmental funds 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 exceeds capital outlays in the period.

Capital Outlays	\$ 259,677	
Depreciation Expense	<u>(596,910)</u>	(337,233)

In the government-wide financial statements, only the loss on the sale of capital assets is reported. However, in the government fund financial statements, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold. (18,325)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. (9,032)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 650,000

Some expenses reported on the statement of activities, such as compensated absences, do not require the use of current financial resources, therefore, they are not reported as expenditures in governmental funds:

Compensated Absences Payable		(46,434)
Note Payable Costs		<u>(10,500)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 473,029**

The accompanying notes are an integral part of these financial statements.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances, Budget and Actual
General and Special Revenue Funds
For the Year Ended June 30, 2005

	<u>GENERAL FUND</u>			Variance
			with	
	<u>Original</u>	Budgeted Amounts <u>Final</u>	Actual (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Local Revenues	\$ 6,825,578	\$ 6,825,578	\$ 7,175,301	\$ 349,723
State Program Revenues	5,944,938	6,066,621	6,184,058	117,437
Federal Program Revenues	<u>385,785</u>	<u>1,168,395</u>	<u>785,771</u>	<u>(382,624)</u>
Total Revenues	<u>13,156,301</u>	<u>14,060,594</u>	<u>14,145,130</u>	<u>84,536</u>
EXPENDITURES				
Regular Programs	5,722,968	5,769,979	5,769,979	-0-
Special Programs	1,678,080	1,674,003	1,674,003	-0-
Vocational Programs	450,601	454,544	454,544	-0-
Other Instructional Programs	253,945	871,108	544,127	326,981
Adult Education Programs	-0-	-0-	-0-	-0-
Community/Junior College Ed Program	-0-	-0-	-0-	-0-
Pupil Personnel Services	467,651	533,034	533,034	-0-
Instructional Staff Services	365,937	340,383	340,383	-0-
Administrative Services	833,611	782,788	782,788	-0-
Pupil Health	145,995	145,450	145,450	-0-
Business Services	172,357	163,300	163,300	-0-
Operation & Maintenance of Plant Services	997,298	962,990	962,990	-0-
Student Transportation Services	957,088	1,034,562	1,034,562	-0-
Central & Other Support Services	-0-	-0-	-0-	-0-
Other Support Services	-0-	-0-	-0-	-0-
Food Services	-0-	-0-	-0-	-0-
Student Activities	38,936	36,058	36,058	-0-
Community Services	-0-	46,047	46,047	-0-
Scholarships & Awards	-0-	-0-	-0-	-0-
Facilities Acquisition & Construction	-0-	-0-	-0-	-0-
Debt Service	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>12,084,467</u>	<u>12,814,246</u>	<u>12,487,265</u>	<u>326,981</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>1,071,834</u>	<u>1,246,348</u>	<u>1,657,865</u>	<u>411,517</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL REVENUE FUNDS

Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<u>Original</u>	<u>Final</u>		
The School District does not formally adopt a budget for the Special Revenue Fund		\$ 59,549	
		9,164	
		<u>-0-</u>	
		<u>68,713</u>	

-0-
-0-
-0-
-0-
-0-
-0-
-0-
-0-
-0-
-0-
-0-

33,049
138,102
-0-
-0-
-0-
307,876
-0-
-0-
107,748
-0-
586,775

(518,062)

SOUTHERN COLUMBIA SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances, Budget and Actual
General and Special Revenue Funds - continued
For the Year Ended June 30, 2005

	<u>GENERAL FUND</u>			Variance with
	Budgeted Amounts		Actual	Final Budget
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Positive (Negative)
OTHER FINANCING SOURCES				
(USES)				
Sale of Bonds	-0-	-0-	-0-	-0-
Proceeds from Extended Term Financing	-0-	-0-	-0-	-0-
Interfund Transfers	-0-	-0-	-0-	-0-
Sale/Compensation for Fixed Assets	-0-	-0-	-0-	-0-
Refunds of Prior Year Expenditure	-0-	-0-	-0-	-0-
Operating Transfers In	-0-	-0-	-0-	-0-
Operating Transfers from Comp Units	-0-	-0-	-0-	-0-
Debt Service-Auth Obligation	(902,957)	(888,460)	(888,460)	-0-
Debt Service-Refunded Bond Issues	-0-	-0-	-0-	-0-
Fund Transfers	(479,963)	(768,974)	(768,974)	-0-
Transfer to Component Units	-0-	-0-	-0-	-0-
Budgetary Reserve	(100,000)	-0-	-0-	-0-
Proceeds from Capital Leases	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>(1,482,920)</u>	<u>(1,657,434)</u>	<u>(1,657,434)</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(411,086)	(411,086)	431	411,517
FUND BALANCE-JULY 1, 2004	<u>1,510,611</u>	<u>1,510,611</u>	<u>1,510,611</u>	<u>-0-</u>
FUND BALANCE-JUNE 30, 2005	<u>\$ 1,099,525</u>	<u>\$ 1,099,525</u>	<u>\$ 1,511,042</u>	<u>\$411,517</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL REVENUE FUND

Variance with

Actual

Final

Budget

Budgeted Amounts
Original Final

(Budgetary
Basis)

Positive
(Negative)

-0-

-0-

-0-

3,003

-0-

-0-

-0-

-0-

-0-

-0-

-0-

768,974

-0-

-0-

-0-

771,977

253,915

455,292

\$709,207

SOUTHERN COLUMBIA SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2005

Fund	Enterprise	<u>Food Service</u>
ASSETS		
<u>Current Assets</u>		
	Cash and Cash Equivalents	\$ 78,860
	Due from Other Funds	7,958
	Due from Other Governments	2,153
	Inventories	<u>1,894</u>
	Total Current Assets	<u>90,865</u>
<u>Noncurrent Assets</u>		
	Machinery and Equipment, Net of Accumulated Depreciation	<u>32,100</u>
	Total Noncurrent Assets	<u>32,100</u>
	TOTAL ASSETS	<u>\$122,965</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
	Payroll Deductions and Withholdings	\$ 10,249
	Deferred Revenues	<u>10,600</u>
	Total Current Liabilities	<u>20,849</u>
<u>Noncurrent Liabilities</u>		
	Compensated Absences	<u>5,582</u>
	Total Liabilities	<u>26,431</u>
<u>Net Assets</u>		
	Unrestricted	64,434
	Invested in Capital Assets, Net of Related Debt	<u>32,100</u>
	Total Net Assets	<u>96,534</u>
	TOTAL LIABILITIES AND NET ASSETS	<u>\$122,965</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

Fund	Enterprise <u>Food Service</u>
OPERATING REVENUES	
Food Service Revenue	\$ <u>315,067</u>
Total Operating Revenues	<u>315,067</u>
OPERATING EXPENSES	
Salaries	182,639
Employee Benefits	73,564
Purchased Property Service	262
Other Purchased Service	403
Supplies	248,652
Depreciation Expense	10,472
Other Operating Expenditures	<u>494</u>
Total Operating Expenditures	<u>516,486</u>
OPERATING LOSS	<u>(201,419)</u>
NONOPERATING REVENUES (EXPENSES)	
Earnings on Investments	1,775
State Sources	31,215
Federal Sources	<u>140,469</u>
Total Nonoperating Revenues (Expenses)	<u>173,459</u>
CHANGE IN NET ASSETS	(27,960)
TOTAL NET ASSETS - July 1, 2004	<u>124,494</u>
TOTAL NET ASSETS - June 30, 2005	\$ <u>96,534</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

	Enterprise Fund <u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 314,658
Cash Payments to Employees for Services	(255,705)
Cash Payments to Suppliers for Goods and Services	(246,934)
Cash Payments for Other Operating Expenses	(494)
Net Cash Used for Operating Activities	<u>(188,475)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Sources	31,287
Federal Sources	<u>140,637</u>
Net Cash Provided by Noncapital Financing Activities	<u>171,924</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>1,775</u>
Net Cash Provided by Investment Activities	<u>1,775</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,776)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>93,636</u>
CASH AND CASH EQUIVALENTS - End of Year	\$ <u>78,860</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Statement of Cash Flows - continued
Proprietary Fund
For the Year Ended June 30, 2005

Enterprise
Fund
Food Service

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR
OPERATING ACTIVITIES:** \$(201,419)

**ADJUSTMENTS TO RECONCILE OPERATING LOSS
TO NET CASH USED FOR OPERATING ACTIVITIES:**

Depreciation Expense	10,472
(Increase) Decrease in Due from Other Funds	(2,070)
(Increase) Decrease in Inventories	2,383
Increase (Decrease) in Payroll Deductions/Withholdings	216
Increase (Decrease) in Deferred Revenues	1,661
Increase (Decrease) in Compensated Absences	<u>282</u>
Total Adjustments	<u>12,944</u>

CASH USED FOR OPERATING ACTIVITIES \$(188,475)

NONCASH NONCAPITAL FINANCING ACTIVITIES:

During the year, the school district received \$24,464 of food commodities from U.S.
Department of Agriculture.

The accompanying notes are an integral part of these financial statements.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Scholarship <u>Trusts</u>	Activity <u>Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 7,120	\$64,821
Investments	<u>44,658</u>	<u>10,000</u>
TOTAL ASSETS	<u>\$51,778</u>	<u>\$74,821</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Scholarship Payable	\$ 200	\$ -0-
Due to Students	<u>-0-</u>	<u>74,821</u>
Total Liabilities	200	74,821
Net Assets Held in Trust for Scholarships	<u>51,578</u>	<u>-0-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$51,778</u>	<u>\$74,821</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2005

	<u>Scholarship Fund</u>
Additions:	
Contributions	\$21,234
Dividend Income	<u>852</u>
Total Additions	<u>22,086</u>
Deductions:	
Service Fees	3
Scholarships Awarded	<u>3,375</u>
Total Deductions	<u>3,378</u>
Change in Net Assets	18,708
Net Assets - July 1, 2004	<u>32,870</u>
Net Assets - June 30, 2005	<u>\$51,578</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN COLUMBIA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2005

Note 1 - Summary of Significant Accounting Policies

The Southern Columbia School District (the “School District”) is a public educational agency operating under the applicable laws and regulations of the State of Pennsylvania. It is governed by a Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Pennsylvania Education Agency’s Financial Accountability System and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Southern Columbia 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. There are no component units of the Southern Columbia School District.

The School District participates in a jointly governed organization. The organization is the Columbia Montour Area Vocational Technical School. The organization is presented in Note 10 to the basic financial statements.

B. Basis of Presentation

The financial statements of Southern Columbia 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 and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District’s accounting policies.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies - continued

B. Basis of Presentation - continued

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.

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities.

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

2. 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 and enterprise 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.

C. 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 three categories of funds: governmental, proprietary and fiduciary.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies - continued

C. Fund Accounting - continued

1. Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 General Fund and Capital Reserve Fund are the School District's only major governmental funds:

General Fund - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Normal debt service payments for general long-term debt are recorded in the General Fund by the School District. The School District's payroll account is included in the General Fund.

Capital Reserve Fund - the Capital Reserve Fund is the fund that is used for the receipt and disbursements of monies for the acquisitions or construction of fixed assets for the School District.

The other governmental funds of the School District account for other resources, the debt service, and athletic funds of the School District whose use are restricted to a particular purpose.

2. Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The following is the School District's proprietary fund:

Enterprise Fund

The Enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Food Service

The Food Service enterprise fund accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

SOUTHERN COLUMBIA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2005

Note 1 - Summary of Significant Accounting Policies - continued

C. Fund Accounting - continued

2. Proprietary Fund - continued

Food Service - continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund are food service charges. Operating expenses for the School District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. 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 not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a program that provides scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

D. Measurement Focus

1. Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of 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.

2. 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 are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflects 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 fund financial statements for governmental funds.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies - continued

D. Measurement Focus - continued

2. Fund Financial Statements - continued

Like the government-wide financial statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in revenues, expenses and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise fund.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

E. 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. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

1. Revenues - Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies - continued

E. Basis of Accounting - continued

1. Revenues - Exchange and Nonexchange Transactions - continued

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On the 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 both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition and student fees.

2. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has 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, are 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 are reported as deferred revenue.

3. 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.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies - continued

F. Budgetary Process

The operating budget is prepared on a modified basis of accounting. An annual budget prepared by function and object is formally adopted for the General Fund. The School District does not formally adopt a budget for the Special Revenue Fund.

The budget may be amended during the year if projected increases or decreases in revenue are identified by the Business Manager. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the budget when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended budget issued during the fiscal year 2005.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward 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.

G. Encumbrances

Encumbrances at year end are reported in the fund financial statements as reservations of fund balance since they do not constitute expenditures or liabilities, but serve as authorization for expenditures in the subsequent year. As of June 30, 2005, the School District has no encumbrances.

H. Cash and Investments

Cash includes amounts in demand deposits and certificates of deposit. Investments consist of repurchase agreements and funds invested in the PA Treasury Investment Program and are stated at cost, which approximates market value. This is in accordance with Section 440.1 of the School Code.

I. Taxes Receivable and Deferred Revenue

Taxes receivable consist of delinquent real estate taxes due at June 30, 2005, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

Deferred revenue consists of the amount of taxes receivable at June 30, 2005, less the amount actually collected and remitted to the School District in July and August 2005.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies - continued

J. Due From/To Other Funds

During the course of operations, transactions sometime occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as “Due from Other Funds” or “Due to Other Funds” on the balance sheet.

K. Inventories

On government-wide financial statements, inventories are presented at cost on a first-in, first-out basis, and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased, however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve which indicates they do not constitute “available spendable resources” even though they are a component of net current assets. The General Fund is the only governmental fund that has material inventory balances as of June 30, 2005.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2005. The inventory consisted of government donated commodities which were valued using USDA values, and other cafeteria supplies and foodstuffs valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2005 are reported as deferred revenue.

L. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$2,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with a long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies - continued

L. Capital Assets - continued

All capital assets, except land, 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.

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 15 years
Buildings and Building Improvements	20 - 45 years
Vehicles	6 - 10 years
Machinery and Equipment	6 - 10 years

M. Long-Term Liabilities

In the government-wide financial statements and proprietary funds types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Fund Equity

The School District records reserves for a portion of the fund balance segregated for a specific future use. A specific fund balance reserve represents the segregation of assets equal to the amount of the reserve. They are earmarked for a special purpose and are, therefore, not available for other general expenditures of that fund.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies - continued

O. Fund Equity - continued

The following represent specific fund balance reserves at June 30, 2005:

\$ 170	Debt Service Fund - future debt service expenditures
\$ 18,545	Athletic Fund - future athletic expenditures
\$690,662	Capital Reserve Fund - future construction, additions and equipment.

Although the board restricts the use of the Capital Reserve Fund assets for construction, additions and equipment, Fixed Assets can be purchased out of the general fund if the items are budgeted for in the annual budget.

P. Definition of Cash and Cash Equivalents

For the purpose of the statement of cash flows, the term cash and cash equivalents includes cash in bank and short-term, highly liquid investments with a maturity of ninety days or less at the date of purchase.

Q. 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 the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability. The liability includes the employees who are currently eligible to receive termination benefits. The amount is based on accumulated sick leave and the various rates stated in the labor contracts. The School District records a liability for accumulated unused sick leave for all employees.

The entire compensation absence liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies - continued

R. Other Post-Employment Benefits

Substantially all employees of the School District are covered under one of two currently applicable labor agreements. In addition to the pension benefits described in Note 9, the following post-employment benefits are mandated by these labor agreements.

Instructional employees who have served at least twenty years in the Southern Columbia School District, and who are eligible for normal retirement, the “window” or disability retirement from the field of public education under the PSERS will be granted a retirement severance at the time of retirement based on \$100 multiplied by the number of full years the employee has taught in Pennsylvania and \$50 multiplied by the total number of unused sick days accumulated by the employee. The maximum paid for unused sick leave shall be \$5,000. Any instructional employees who meet the above requirements and have thirty years of experience in the Southern Columbia School District will be entitled to double the above amounts.

Noninstructional employees who have served in the Southern Columbia School District, will be granted a retirement severance at the time of retirement equal to the sum of \$12 per day for each day of accumulated sick days up to 150 days.

S. 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 management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

T. Operating and Nonoperating Revenues

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Note 2 - Legal Compliance Budgets

All principals at each educational level of the School District submit requests for appropriation to the superintendent and business administrator. A tentative budget is prepared. It includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The proposed budget is presented to the School Board at public meetings for their review.

Tentative adoption of the budget must be made 30 days prior to final adoption to allow for public review. Final adoption of the budget must occur on or before June 30. Budget transfers are typically made by the business administrator at year end with Board approval.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 3 - Real Estate and Deferred Revenue

Based upon assessments provided by the County, the School District bills and collects its own property taxes. The School District tax rate for the year ended June 30, 2005 was 24.70 mills for Columbia County residents and 76.00 mills for Northumberland County residents as levied by the School Board. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	-Levy date
July 1 - August 31	-2% discount period
September 1 - October 31	-Face payment period
November 1 - December 31	-10% penalty period

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements.

The balances at June 30, 2005 are as follows:

	<u>Gross Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net Estimated to be Collectible</u>	<u>Tax Revenue Recognized</u>	<u>Deferred Taxes</u>
Real Estate	\$ <u>201,119</u>	\$(<u>30,000</u>)	\$ <u>171,119</u>	\$ <u>35,408</u>	\$ <u>135,711</u>

A portion of the 21st Century CLC Funds, \$10,668 was deferred.

The deferred revenue balance in the General Fund is \$146,379.

Note 4 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2005, the following amounts are due from other governmental units:

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Federal Subsidies	\$263,903	\$1,848	\$265,751
State Subsidies	108,715	305	109,020
Local Subsidies	<u>121,231</u>	<u>-0-</u>	<u>121,231</u>
Total	<u>\$493,849</u>	<u>\$2,153</u>	<u>\$496,002</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2005

Note 5 - Cash and Cash Equivalents and Investments

The School District's cash deposits and investments are restricted by statute to United States Treasury bills, short-term obligations of the United States Government and certain obligations of the United States, Commonwealth of Pennsylvania or its political subdivisions which are backed by the full faith and credit of those governmental entities. Additionally, the School District may invest in shares of a properly registered investment fund whose investments consist of the securities listed above. Deposits in banks and other financial institutions must be insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund. Deposits in excess of the maximum insurable amounts must be collateralized by securities held by that institution, in accordance with the provisions of law. Pool pledging in accordance with P.L. 281, No. 72, ("Act 72"), is permissible.

Risk Categories - Deposits

All deposits are carried at cost. There are three categories of credit risk that may apply to the School District's deposits.

1. Insured or collateralized with securities held by the School District or by its agent in the School District's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.
3. Uncollateralized.

Balances held in each category at June 30, 2005, are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Credit Risk</u>
Insured deposits (FDIC)	\$ 100,000	\$ 100,000	1
Uninsured deposits:			
Collateral held by Federal Reserve Bank in School District's name	1,041,925	1,120,406	2
Uncollateralized	<u>1,620</u>	<u>-0-</u>	3
Total Deposits	<u>\$1,143,545</u>	<u>\$1,220,406</u>	

The amounts listed as uncollateralized have been secured by pool pledging in accordance with Act 72.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 5 - Cash and Cash Equivalents and Investments - continued

Risk Categories - Investments

All investments are stated at cost, which approximate fair value. There are three categories of credit risk that may apply to the School District's investments.

1. Insured or registered, or securities held by the School District or its agent in the School District's name.
2. Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the School District's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by the counterparty's trust department or agent, but not in the School District's name.

Balances held in each investment category at June 30, 2005, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Credit Risk</u>
Investments in pools managed by other governments	\$1,703,886	\$1,703,886	1 Certificates
of Deposit/Money Market	21,351	21,351	3
Uninsured Securities	<u>33,477</u>	<u>33,477</u>	3
Total Investments	<u>\$1,758,714</u>	<u>\$1,758,714</u>	

SOUTHERN COLUMBIA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2005

Note 6 - Changes in Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government Activities				
Capital Assets, Not Being Depreciated				
Land	\$ <u>25,000</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>25,000</u>
Total Capital Assets Not Being Depreciated	<u>25,000</u>	<u>-0-</u>	<u>-0-</u>	<u>25,000</u>
Capital Assets Being Depreciated				
Land Improvements	284,406	-0-	-0-	284,406
Buildings		15,592,269	53,611	-0-
15,645,880				
Machinery and Equipment	900,530	65,314	-0-	965,844
Vehicles	1,886,371	140,752	170,854	1,856,269
Infrastructure	<u>208,059</u>	<u>-0-</u>	<u>-0-</u>	<u>208,059</u>
Total Assets Being Depreciated	<u>18,871,635</u>	<u>259,677</u>	<u>170,854</u>	<u>18,960,458</u>
Less Accumulated Depreciation for:				
Land Improvements	67,990	23,873	1,925	89,938
Buildings		6,257,417	362,258	-0-
6,619,675				
Machinery and Equipment	415,295	91,965	-0-	507,260
Vehicles	1,309,765	114,190	150,604	1,273,351
Infrastructure	<u>67,496</u>	<u>4,624</u>	<u>-0-</u>	<u>72,120</u>
Total Accumulated Depreciation	<u>8,117,963</u>	<u>596,910</u>	<u>152,529</u>	<u>8,562,344</u>
 Total Capital Assets Being Depreciated, Net	 <u>10,753,672</u>	 (<u>337,233</u>)	 (<u>18,325</u>)	 <u>10,398,114</u>
 Governmental Activities, Capital Assets, Net	 <u>\$10,778,672</u>	 \$(<u>337,233</u>)	 \$(<u>18,325</u>)	 <u>\$10,423,114</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 6 - Changes in Capital Assets - continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Machinery and Equipment	\$ <u>199,472</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>199,472</u>
Total Capital Assets, Being Depreciated	<u>199,472</u>	<u>-0-</u>	<u>-0-</u>	<u>199,472</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	<u>156,900</u>	<u>10,472</u>	<u>-0-</u>	<u>167,372</u>
Total Accumulated Depreciation	<u>156,900</u>	<u>10,472</u>	<u>-0-</u>	<u>167,372</u>
Total Capital Assets Being Depreciated, Net	<u>42,572</u>	<u>(10,472)</u>	<u>-0-</u>	<u>32,100</u>
Business-Type Activities Capital Assets, Net	\$ <u>42,572</u>	\$(<u>10,472</u>)	\$ <u>-0-</u>	\$ <u>32,100</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Government Activities

Instruction:	
Regular	\$292,307
Special 83,516	
Support Services:	
Pupil	27,839
Instructional Staff	18,559
Administration	41,758
Pupil Transportation	114,190
Operation and Maintenance Plant	18,741
Operation of Noninstructional Services:	
Student Activities	<u>-0-</u>
Total Depreciation Expense - Governmental Activities	<u>\$596,910</u>

Business-Type Activities

Food Service Fund	\$ <u>10,472</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 10,472</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2005

Note 7 - Leased Equipment

The Southern Columbia School District entered into a lease purchase agreement for a HVAC system installed in the elementary and junior-senior high schools. The terms of the agreement require 84 monthly payments of \$8,811 which includes principal and interest. The lease company adjusted the monthly payments after the School District made additional payments in fiscal year 2003. The monthly lease payments starting in July 2003 are \$4,721. Total payments for the year ended June 30, 2005 were \$33,049. This lease ended in January 2005.

The School District entered into a lease purchase agreement for several pieces of computer equipment in August 2004. The terms of the agreement is a 36 month term with yearly payments of \$12,739, which includes principal and interest. Total payments for the year ended June 30, 2005 were \$12,739. At the end of the 36 month lease the equipment may be purchased for \$1.

The future minimum lease payments over the next five years is shown below:

June 30, 2006	\$12,739
June 30, 2007	12,739
June 30, 2008	2,673
June 30, 2009	-0-
June 30, 2010	-0-

Note 8 - General Long-Term Debt

Changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	<u>Balance</u> <u>at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>at 6/30/05</u>
General Obligation Note, Series of 2005	\$ -0-	\$10,500	\$ -0-	\$ 10,500
General Obligation Bonds, Series of 2001	2,010,000	-0-	645,000	1,365,000
General Obligation Bonds, Series of 2003	4,045,000	-0-	5,000	4,040,000
Compensated Absences	<u>682,890</u>	<u>46,434</u>	<u>-0-</u>	<u>729,324</u>
 Total Governmental Activities Long-Term Liabilities	 <u>\$6,737,890</u>	 <u>\$56,934</u>	 <u>\$650,000</u>	 <u>\$6,144,824</u>
 Business-Type Activity Compensated Absences	 <u>\$ 5,300</u>	 <u>\$ 282</u>	 <u>\$ -0-</u>	 <u>\$ 5,582</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2005

Note 8 - General Long-Term Debt - continued

2005 General Obligation Note Payable

On January 19, 2005 the School District issued a \$750,000 of Series of 2005 General Obligation Note Payable for various renovation projects.

The interest rate is fixed at 4%. Interest on this note shall be paid quarterly commencing April 19, 2005, until October 19, 2005, and thereafter shall be paid semi-annually commencing April 19, 2006.

The principal of this note shall be payable in twenty (20) equal, semi-annual installments in an amount equal to 5% of the total sum advanced hereunder by the Bank (Susquehanna Bank) to the borrower within nine months from the date hereof commencing April 19, 2006, with a final installment due October 19, 2015.

The note is secured with the full faith, credit and taxing power of the School District.

As of June 30, 2005, the School District had drawn \$10,500 to pay the loan costs, \$739,500 is still available for project disbursement.

The remaining scheduled maturity dates, principal and interest payments are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Year Ending Debt Service</u>	<u>Fiscal Debt 6/30</u>	<u>Service</u>
07/19/05	\$ -0-	\$ 105			
10/19/05	-0-	7,500			
04/19/06	37,500	15,000	2006	\$ 60,105	
10/19/06	37,500	14,250			
04/19/07	37,500	13,500	2007		102,750
10/19/07	37,500	12,750			
04/19/08	37,500	12,000	2008	99,750	
10/19/08	37,500	11,250			
04/19/09	37,500	10,500	2009	96,750	
10/19/09	37,500	9,750			
04/19/10	37,500	9,000	2010	93,750	
10/19/10	37,500	8,250			
04/19/11	37,500	7,500	2011	90,750	
10/19/11	37,500	6,750			
04/19/12	37,500	6,000	2012	87,750	
10/19/12	37,500	5,250			
04/19/13	37,500	4,500	2013	84,750	
10/19/13	37,500	3,750			
04/19/14	37,500	3,000	2014	81,750	
10/19/14	37,500	2,250	39,750		
04/19/15	37,500	1,500	2015	78,750	
10/19/15	<u>37,500</u>	<u>750</u>	2016	<u>38,250</u>	
Total	<u>\$750,000</u>	<u>\$165,105</u>		<u>\$915,105</u>	

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 8 - General Long-Term Debt - continued

2001 General Obligation Bonds

On May 15, 2001, the School District issued a \$3,765,000 of Series of 2001 General Obligation Bonds. The entire amount was sold in a negotiated sale at a discount of \$28,237. The proceeds of this bond issue were used to refund the General Obligation Bonds, Series of 1996.

The bonds are fully registered and were issued in multiples of \$5,000. Interest is payable semi-annually, at rates stipulated in the indenture, on October 15 and April 15 of each year. Principal payments are scheduled annually on April 15 of each year through April 15, 2007. The bonds are not subject to redemption prior to maturity. The effective interest rate over the lives of these bonds is approximately 3.77%.

The bonds are secured with the full faith, credit and taxing power of the School District. A sinking fund has been established by a paying agent for the payment of principal and interest. Funds must be transferred to this account no later than the maturity and interest payment dates established by the indenture.

The remaining scheduled maturity dates, principal amounts and applicable interest rates associated with the bond issue are presented below:

<u>Due Date</u>	<u>Principal/ Mandatory Sinking Fund Redemption</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Year Ending 6/30</u>	<u>Fiscal Debt Service</u>
10/15/05			\$26,630	\$ 26,630		
04/15/06	\$ 670,000	3.80%	26,630	696,630	2006	\$ 723,260
10/15/06			13,900	13,900		
04/15/07	<u>695,000</u>	4.00%	<u>13,900</u>	<u>708,900</u>	2007	<u>722,800</u>
	<u>\$1,365,000</u>		<u>\$81,060</u>	<u>\$1,446,060</u>		<u>\$1,446,060</u>

2003 General Obligation Bonds

On May 15, 2003 the School District issued a \$4,050,000 Series of 2003 General Obligation Bonds. The entire amount was sold in a negotiated sale at a discount of \$18,853. The proceeds of this bond issue were used to defease the General Obligation Bonds, Series of 1998.

The bonds are fully registered and were issued in multiples of \$5,000. Interest is payable semi-annually, at rates stipulated in the indenture, on February 1 and August 1 of each year. Principal payments are scheduled annually on February 1 of each year through February 1, 2015. The bonds are not subject to redemption prior to maturity, those bonds maturing after February 1, 2009 are subject to optional redemption prior to maturity.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 8 - General Long-Term Debt - continued

2003 General Obligation Bonds - continued

The bonds are secured with the full faith, credit and taxing power of the School District. A sinking fund has been established by a paying agent for the payment of principal and interest. Funds must be transferred to this account no later than the maturity and interest payment dates established by the indenture.

The remaining scheduled maturity dates, principal amounts and applicable interest rates associated with the bond issue are presented below:

<u>Due Date</u>	<u>Principal/ Mandatory Sinking Fund Redemption</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Year Ending 6/30</u>	<u>Fiscal Debt Service</u>
8/1/05			\$ 66,752.50	\$ 66,752.50		
2/1/06	\$ 20,000	1.90%	66,752.50	86,752.50	2006	\$ 153,505.00
8/1/06			66,562.50	66,562.50		
2/1/07	40,000	2.30%	66,562.50	106,562.50	2007	173,125.00
8/1/07			66,102.50	66,102.50		
2/1/08	445,000	2.55%	66,102.50	511,102.50	2008	577,205.00
8/1/08			60,428.75	60,428.75		
2/1/09	455,000	2.85%	60,428.75	515,428.75	2009	575,857.50
8/1/09			53,945.00	53,945.00		
2/1/10	475,000	3.15%	53,945.00	528,945.00	2010	582,890.00
8/1/10			46,463.75	46,463.75		
2/1/11	485,000	3.35%	46,463.75	531,463.75	2011	577,927.50
8/1/11			38,340.00	38,340.00		
2/1/12	500,000	3.45%	38,340.00	538,340.00	2012	576,680.00
8/1/12			29,715.00	29,715.00		
2/1/13	520,000	3.60%	29,715.00	549,715.00	2013	579,430.00
8/1/13			20,355.00	20,355.00		
2/1/14	540,000	3.65%	20,355.00	560,355.00	2014	580,710.00
8/1/14			10,500.00	10,500.00		
2/1/15	<u>560,000</u>	3.75%	<u>10,500.00</u>	<u>570,500.00</u>	2015	<u>581,000.00</u>
Total	<u>\$4,040,000</u>		<u>\$918,330.00</u>	<u>\$4,958,330.00</u>		<u>\$4,958,330.00</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 8 - General Long-Term Debt - continued

The aggregate maturities of all long-term borrowings for the next five years and to maturity are:

<u>Year Ending June 30</u>	
2006	\$ 727,500
2007	810,000
2008	520,000
2009	530,000
2010	550,000
Years 2011 to 2015	2,980,000
Years 2016 to Maturity	<u>37,500</u>
Total at 6/30/05	<u>\$6,155,000</u>

Note 9 - Pension Plan

The School District participates in the Public School Employees' Retirement System (the system), a governmental cost sharing multiple-employer defined benefit plan with the following benefits provided: Retirement and disability, legislatively mandated ad hoc cost-of-living adjustments and health care insurance premium assistance to qualifying annuitants. The plan is authorized by the Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa.C.S. 8101-8535). The system issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Barbara D.Flurie, Office of Financial Management, Public School Employees' Retirement System, P. O. Box 125, Harrisburg, PA 17108-0125. The publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Active members who joined the system prior to July 22, 1983 contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the system after June 30, 2001 contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2005, the rate of employer contribution was 4.23 percent of covered payroll. The 4.23 percent rate is composed of a pension contribution rate of 4.00 percent for pension benefits and .23 percent for healthcare insurance premium assistance. Employer contributions and percentages of contributions for 2005, 2004 and 2003 are as follows, respectively, contribution amounts - \$328,086, \$289,608 and \$81,475, percentages of contributions - 4.23%, 3.77% and 1.15%.

SOUTHERN COLUMBIA SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2005

Note 10 - Jointly Governed Organizations

The School District participates in the Columbia Montour Area Vocational Technical School (CMAVTS) which is governed by a joint operating committee. The committee is composed of fourteen members, two appointed annually from each of the seven member school districts. The CMAVTS provides vocational and technical education for students of the seven member school districts. Each member school district pays tuition to the CMAVTS based upon its relative enrollment percentage at the school. The member school districts approve the budget of the CMAVTS.

This joint venture does not meet the criteria for inclusion within the reporting entity because the CMAVTS is separately chartered from the school districts it serves, its joint operating committee controls the employment of personnel, its joint operating committee has the power to approve all operating expenditures of the CMAVTS, and the CMAVTS is maintained as a separate operating unit.

For the year ended June 30, 2005, the member school districts and the percentage of tuition received from each member school district were as follows:

Benton	6.647%
Berwick	27.239%
Bloomsburg	14.503%
Central Columbia	17.813%
Danville	19.088%
Millville	5.707%
Southern Columbia	<u>9.003%</u>
	<u>100.000%</u>

The School District's share of the joint venture is not determinable. The most recent CMAVTS financial information for the year ended June 30, 2005 is available by contacting Ed John, Business Manager, Columbia Montour Area Vocational Technical School, Bloomsburg, PA.

A summary of this information, for all funds and the component unit based on the accrual basis of accounting, is presented below:

Assets	\$ <u>7,189,007</u>
Liabilities	\$ 5,430,694
Fund Equity	<u>1,758,313</u>
Total Liabilities and Fund Equity	\$ <u>7,189,007</u>
Revenues	\$ 6,420,353
Expenditures	<u>11,001,829</u>
Excess of Expenditures over Revenues	\$(<u>4,581,476</u>)

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 10 - Jointly Governed Organizations - continued

The School District made tuition payments and debt service payments to CMAVTS of \$450,601 and \$42,873, respectively, for the year ended June 30, 2005.

No amounts were due to/from CMAVTS at June 30, 2005.

The CMAVTS capital assets at June 30, 2005 are valued at a historical cost of \$4,716,407 with accumulated depreciation of \$3,634,966, resulting in net capital assets of \$1,081,441.

The CMAVTS Authority has long-term debt outstanding at June 30, 2005 of \$4,465,000.

CMAVTS Authority issued Guaranteed School Revenue Bonds, Series of 2002, dated March 1, 2002, in the aggregate principal amount of \$4,810,000 for building renovations and improvements. Debt service payments are due semiannually on April 1 and October 1 of each year until the principal sum thereof is paid on or before April 1, 2022. The interest rate varies from 3.6% to 5.1%. The Bonds are subject to redemption prior to maturity.

The Bonds are secured by a pledge and assignment of the lease rentals payable by the Columbia Montour Area Vocational Technical School Committee and its seven member school districts. Southern Columbia School District's share of this debt obligation balance at June 30, 2005 will be 9.003% based upon Southern Columbia School District's current market value of property as a relative percentage of total CMAVTS' member schools at June 30, 2005.

Note 11 - Commitments and Contingencies

The School District receives state grants and subsidies that are subject to audit and review by the Auditor General. These audits could result in a request for reimbursement by the state for amounts disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such reimbursements, if any, will not be significant.

The School District entered into two construction contracts. The first is the new bleacher contract for the football stadium. The contract was awarded to E & D Specialty Stands, Inc. at a contract price of \$536,150. As of June 30, 2005 no payments have been made on the contract. The second is to supply and install the auditorium sound system. The contract was awarded to Guyette Communications, Inc. at a contract price of \$69,941. As of June 30, 2005 no payments have been made on the contract.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

Note 12 - Interfund Transfers

	<u>Transfer to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund	\$768,974	\$ -0-
Capital Reserve Fund	-0-	510,974
Non-Major Government Funds	<u>-0-</u>	<u>258,000</u>
	<u>\$768,974</u>	<u>\$768,974</u>

The General Fund transfers funds to the Athletic Fund to cover the general expenses of the Athletic Fund and to the Capital Reserve Fund for the acquisition or construction of fixed assets.

Note 13 - Risk Management

The School District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2005, and the three previous fiscal years, no settlements exceeded insurance coverage.

Note 14 - Revenues

Major sources of revenue by fund type for the year ended June 30, 2005:

	<u>General Fund</u>	<u>Major Fund Capital Reserve</u>	<u>Other Funds</u>	<u>Enterprise Fund</u>	<u>Fiduciary Fund</u>
Local Taxes	\$ 6,869,384	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Local Miscellaneous	243,544	-0-	52,440	315,067	-0-
Interest Income	61,445	7,070	135	1,775	852
State Funds	6,184,058	-0-	9,164	31,215	-0-
Federal Funds	785,771	-0-	-0-	140,469	-0-
Transfers from Other Governmental Units	928	-0-	-0-	-0-	-0-
Interfund Transfers	-0-	-0-	258,000	-0-	-0-
Sale of Fixed Assets	-0-	3,003	-0-	-0-	-0-
Contributions	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>21,234</u>
	<u>\$14,145,130</u>	<u>\$10,073</u>	<u>\$319,739</u>	<u>\$488,526</u>	<u>\$22,086</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

<u>Federal/Grantor Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Date</u>
U. S. Department of Education				
21 st Century CLC	D	84.287B	n/a	6/1/03-5/31/05
Passed Through PA Dept. of Education				
Title V-Innovative Education	I	84.298	011-050404	7/1/04-9/30/05
ESEA - Title I	I	84.010	013-040404	7/1/03-9/30/04
ESEA - Title I	I	84.010	013-050404	7/1/04-9/30/05
ESEA - Title II-Improving Teacher Quality	I	84.367	020-050404	7/1/04-9/30/05
ESEA - Title II-Education Technology	I	84.318	055-040404	7/1/03-9/30/04
ESEA - Title II-Education Technology	I	84.318	055-050404	7/1/04-9/30/05
Drug Free Schools	I	84.186A	100-040405	7/26/03-9/30/04
Drug Free Schools	I	84.186A	100-050405	7/26/04-9/30/05
After School Learning Center	I	84.287C		10/1/04-9/30/05
U.S. Department of Agriculture				
Passed Through the PA Dept. of Education				
NSLP	I	10.555	n/a	7/1/04- 6/30/05
NSLP - Breakfast	I	10.553	n/a	7/1/04-6/30/05
Passed Through the PA Dept. of Agriculture				
Donated Commodities (Non-Cash Assistance)	I	10.550	n/a	7/1/04-6/30/05
TOTAL FEDERAL FINANCIAL ASSISTANCE				
State Sources				
PA School Lunch & Breakfast Program	I	n/a	n/a	7/1/04-6/30/05
TOTAL PA FINANCIAL ASSISTANCE				

Source Codes: D - Direct Funding I - Indirect Funding

- Footnotes: (a) Total amount of commodities received from Dept. of Agriculture.
(b) Beginning Inventory at June 30, 2004.
(c) Total amount of commodities used during the year ended June 30, 2005.
(d) Ending Inventory at June 30, 2005.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at 6/30/04</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>	<u>Accrued or (Deferred) Revenue at 6/30/05</u>
\$375,973	\$185,571	\$(12,461)	\$187,364	\$187,364	\$(10,668)
7,668	7,668	-0-	7,668	7,668	-0-
211,220	42,698	41,254	1,444	1,444	-0-
208,282	166,626	-0-	208,282	208,282	41,656
75,794	65,688	-0-	75,794	75,794	10,106
4,971	667	667	-0-	-0-	-0-
4,918	3,607	-0-	3,990	3,990	383
8,075	3,451	3,334	117	117	-0-
7,512	3,506	-0-	7,087	7,087	3,581
356,127	80,849	-0-	166,547	166,547	85,698
n/a	100,347	1,704	100,158	100,158	1,515
n/a	15,826	311	15,847	15,847	332
n/a	<u>24,464</u> (a)	<u>(1,697)</u> (b)	<u>25,899</u> (c)	<u>25,899</u> (c)	<u>(262)</u> (d)
	<u>\$700,968</u>	<u>\$ 33,112</u>	<u>\$800,197</u>	<u>\$800,197</u>	<u>\$ 132,341</u>
	<u>\$ 20,512</u>	<u>\$ 377</u>	<u>\$ 20,440</u>	<u>\$ 20,440</u>	<u>\$ 305</u>
	<u>\$ 20,512</u>	<u>\$ 377</u>	<u>\$ 20,440</u>	<u>\$ 20,440</u>	<u>\$ 305</u>

SOUTHERN COLUMBIA SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2005

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southern Columbia School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Relationship to General Purpose Financial Statements

Federal financial assistance revenues are reported in the School District's general purpose financial statements as follows:

General Fund	\$ 785,771
Cafeteria Fund	<u>140,469</u>
Total per Financial Statements	926,240
Access Reimbursements Not Included on the Schedule of Expenditures of Federal Awards	(127,478)
Increase in Revenue Recognized for USDA Donated Commodities to Value of Commodities Used	<u>1,435</u>
 Total Federal Revenue per Schedule of Expenditures of Federal Awards	 \$ <u>800,197</u>

Note 3 - USDA Donated Commodities

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2005, the organization had food commodities totaling \$262 in inventory.

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board
Southern Columbia School District
Catawissa, PA

We have audited the financial statements of the governmental activities, the business-type activities, each major-fund, and the aggregate remaining fund information of Southern Columbia School District, as of and for the year ended June 30, 2005, which collectively comprise the Southern Columbia School District's, basic financial statements and have issued our report thereon dated September 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southern Columbia School District's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Columbia School District's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

SCHAEFFER, JONES, EICHNER & WAGNER, L.L.P.
Certified Public Accountants
September 21, 2005

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

Members of the Board
Southern Columbia School District
Catawissa, PA

COMPLIANCE

We have audited the compliance of Southern Columbia School District, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Southern Columbia School District's, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southern Columbia School District's management. Our responsibility is to express an opinion on Southern Columbia School District's compliance based on our audit.

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

In our opinion, Southern Columbia 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 management of Southern Columbia School District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southern Columbia School District's, internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the 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 detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

SCHAEFFER, JONES, EICHNER & WAGNER, L.L.P.
Certified Public Accountants
September 21, 2005

SOUTHERN COLUMBIA SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over Financial Reporting:

Material weakness(es) identified?	___ Yes	___X___ No
Reportable condition(s) identified not considered to be material weaknesses?	___ Yes	___X___ None Reported
Noncompliance material to financial statements noted?	___ Yes	___X___ No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	___ Yes	___X___ No
Reportable condition(s) identified not considered to be material weaknesses?	___ Yes	___X___ None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	___ Yes	___X___ No
---	---------	------------

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.010	ESEA - Title I

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
--	-------------------

Auditee qualified as low-risk auditee:	___X___ Yes	___ No
--	-------------	--------

Section II - Financial Statement Findings

There are no findings to be reported

Section III - Federal Award Findings and Questioned Costs

There are no findings to be reported.

SOUTHERN COLUMBIA SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2005

There were no findings or questioned costs for the prior year ended June 30, 2004.

