



**Auditor of State
Betty Montgomery**

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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INDEPENDENT ACCOUNTANT'S REPORT

Tri Village Local School District
Darke County
P.O. Box 31
New Madison, Ohio 45346

We have audited the accompanying general-purpose financial statements of Tri Village Local School District, Darke County (the District), as of and for the years ended June 30, 2002 and June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Tri Village Local School District, as of June 30, 2002 and June 30, 2001, and the results of its operations and the cash flows of its enterprise funds for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty D. Montgomery
Auditor of State

January 21, 2003

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**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,016,648	\$157,023	\$227,554	\$13,146,355
Cash and Cash Equivalents with Fiscal Agent		2,831		
Property Taxes Receivable	1,379,810	32,233	447,703	
Income Taxes Receivable	380,378			
Accounts Receivable		401		
Intergovernmental Receivable	23,179	8,319		469,990
Accrued Interest Receivable	2,057			
Prepaid Items	11,683			
Inventory Held for Resale				
Inventory of Supplies and Materials	5,350			
Restricted Asset: Equity in Pooled Cash and Cash Equivalents	21,013			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	<u>2,840,118</u>	<u>200,807</u>	<u>675,257</u>	<u>13,616,345</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	20,846	410		124,008
Contracts Payable				665,203
Accrued Wages and Benefits Payable	422,195	12,076		
Compensated Absences Payable	8,084			
Retainage Payable				60,296
Intergovernmental Payable	137,402	355		
Deferred Revenue	1,337,888	29,745	413,148	469,990
Due to Students				
Capital Leases Payable				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>1,926,415</u>	<u>42,586</u>	<u>413,148</u>	<u>1,319,497</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings				
Fund Balance:				
Reserved for Encumbrances	114,296	16,336		3,070,168
Reserved for Inventory of Supplies and Materials	5,350			
Reserved for Property Taxes	101,982	2,488	34,555	
Reserved for Budget Stabilization	21,013			
Unreserved:				
Designated for Textbooks/Instructional Materials	10,160			
Undesignated	660,902	139,397	227,554	9,226,680
Total Fund Equity and Other Credits	<u>913,703</u>	<u>158,221</u>	<u>262,109</u>	<u>12,296,848</u>
Total Liabilities, Fund Equity and Other Credits	<u>2,840,118</u>	<u>200,807</u>	<u>675,257</u>	<u>13,616,345</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$20,083	\$25,256			\$14,592,919
				2,831
				1,859,746
				380,378
12,177				12,578
6,820				508,308
				2,057
				11,683
6,075				6,075
644				5,994
				21,013
12,356		8,267,304		8,279,660
			262,109	262,109
			7,421,033	7,421,033
<u>58,155</u>	<u>25,256</u>	<u>8,267,304</u>	<u>7,683,142</u>	<u>33,366,384</u>
				145,264
				665,203
15,100				449,371
7,168			362,505	377,757
				60,296
9,603			44,230	191,590
				2,250,771
	25,256			25,256
			1,246,407	1,246,407
			15,000	15,000
			6,015,000	6,015,000
<u>31,871</u>	<u>25,256</u>		<u>7,683,142</u>	<u>11,441,915</u>
		8,267,304		8,267,304
26,284				26,284
				3,200,800
				5,350
				139,025
				21,013
				10,160
				10,254,533
<u>26,284</u>		<u>8,267,304</u>		<u>21,924,469</u>
<u>\$58,155</u>	<u>\$25,256</u>	<u>\$8,267,304</u>	<u>\$7,683,142</u>	<u>\$33,366,384</u>

TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property Taxes	\$1,202,376	\$28,511	\$396,434			\$1,627,321
Income Taxes	892,839					892,839
Tuition and Fees	281,594					281,594
Interest	57,993		2,173	186,558		246,724
Intergovernmental	2,860,729	197,809	46,375	8,044,435		11,149,348
Extracurricular Activities	0	149,262				149,262
Gifts and Donations	1,700	8,068				9,768
Miscellaneous	2,319	9,294				11,613
Total Revenues	5,299,550	392,944	444,982	8,230,993		14,368,469
Expenditures:						
Current:						
Regular Instruction	2,702,945	52,636		11,448		2,767,029
Special Instruction	387,363	72,330				459,693
Vocational Instruction	49,268					49,268
Support Services:						
Pupils	232,788					232,788
Instructional Staff	301,677	79,603				381,280
Board of Education	6,979					6,979
Administration	493,494					493,494
Fiscal	150,388	690	9,594			160,672
Operation and Maintenance of Plant	352,888			10,310		363,198
Pupil Transportation	445,664	6,844				452,508
Central	15,296	12,261		77		27,634
Operation of Non-Instructional Services	16,429	2,941				19,370
Extracurricular Activities	129,790	145,201			2,000	276,991
Capital Outlay	86,416			3,288,619		3,375,035
Debt Service:						
Principal Retirement	59,431		158,000			217,431
Interest and Fiscal Charges	12,688		349,665			362,353
Total Expenditures	5,443,504	372,506	517,259	3,310,454	2,000	9,645,723
Excess of Revenues Over (Under)						
Expenditures	(143,954)	20,438	(72,277)	4,920,539	(2,000)	4,722,746
Other Financing Sources (Uses):						
Proceeds from Capital Lease				1,221,000		1,221,000
Proceeds from Sale of Fixed Assets	1,690					1,690
Operating Transfers - In			34,766			34,766
Operating Transfers - Out	(44,766)					(44,766)
Total Other Financing Sources (Uses)	(43,076)		34,766	1,221,000		1,212,690
Excess of Revenues and Other Financing						
Sources Over (Under) Expenditures and						
Other Financing Uses	(187,030)	20,438	(37,511)	6,141,539	(2,000)	5,935,436
Fund Balances at Beginning of Year	1,102,356	137,783	299,620	6,155,309	2,000	7,697,068
Decrease in Reserve for Inventory	(1,623)					(1,623)
Fund Balances at End of Year	\$913,703	\$158,221	\$262,109	\$12,296,848	\$0	\$13,630,881

See Accompanying Notes to the General Purpose Financial Statements.

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TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,365,238	\$1,352,011	(\$13,227)	\$35,522	\$31,659	(\$3,863)
Income Tax	873,926	926,886	52,960			
Tuition and Fees	402,845	344,508	(58,337)			
Interest	100,000	57,011	(42,989)			
Intergovernmental	2,829,196	2,857,106	27,910	210,214	192,159	(18,055)
Extracurricular Activities				177,255	149,097	(28,158)
Gifts and Donations		1,700	1,700	7,300	8,068	768
Rent	100		(100)			
Miscellaneous	2,000	2,319	319	6,637	9,294	2,657
Total Revenues	5,573,305	5,541,541	(31,764)	436,928	390,277	(46,651)
Expenditures:						
Current:						
Regular Instruction	2,761,594	2,719,189	42,405	52,332	45,781	6,551
Special Instruction	476,142	440,048	36,094	77,605	73,262	4,343
Vocational Instruction	61,865	57,415	4,450			
Other Instruction	11,000	10,513	487			
Support Services:						
Pupils	242,442	231,926	10,516			
Instructional Staff	295,449	290,458	4,991	88,309	79,511	8,798
Board of Education	9,950	6,979	2,971			
Administration	535,430	503,591	31,839			
Fiscal	161,958	151,839	10,119	800	690	110
Operation and Maintenance of Plant	433,767	389,176	44,591	853		853
Pupil Transportation	548,094	508,305	39,789	8,294	6,849	1,445
Central	20,259	16,535	3,724	12,259	12,259	
Operation of Non-Instructional Services	17,350	16,253	1,097	5,234	3,231	2,003
Extracurricular Activities	136,812	129,643	7,169	204,988	163,089	41,899
Capital Outlay	136,425	108,773	27,652			
Debt Service:						
Principal Retirement	25,000	25,000				
Interest and Fiscal Charges	12,400	8,871	3,529			
Total Expenditures	5,885,937	5,614,514	271,423	450,674	384,672	66,002
Excess of Revenues Over (Under)						
Expenditures	(312,632)	(72,973)	239,659	(13,746)	5,605	19,351
Other Financing Sources (Uses):						
Other Financing Uses	(85)	(85)				
Proceeds from Capital Lease						
Proceeds from Sale of Fixed Assets		1,690	1,690			
Refund of Prior Year Expenditures	30,000	73,162	43,162		50	50
Refund of Prior Year Receipts	(65,098)	(46,766)	18,332	(10,008)	(10,008)	
Operating Transfers - In						
Operating Transfers - Out	(44,833)	(44,766)	67			
Total Other Financing Sources (Uses)	(80,016)	(16,765)	63,251	(10,008)	(9,958)	50
Excess of Revenues and Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	(392,648)	(89,738)	302,910	(23,754)	(4,353)	19,401
Fund Balances at Beginning of Year	903,466	903,466		132,188	132,188	
Prior Year Encumbrances Appropriated	96,018	96,018		12,442	12,442	
Fund Balances at End of Year	\$606,836	\$909,746	\$302,910	\$120,876	\$140,277	\$19,401

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$468,236	\$440,447	(\$27,789)						
2,300	2,013	(287)	265,000	169,678	(95,322)			
40,000	46,375	6,375	6,175,080	8,044,435	1,869,355			
<u>510,536</u>	<u>488,835</u>	<u>(21,701)</u>	<u>6,440,080</u>	<u>8,214,113</u>	<u>1,774,033</u>			
			11,825	11,448	377			
10,000	9,594	406	53,000	51,733	1,267			
			77	77				
			6,175,600	5,475,869	699,731	2,000	2,000	
158,000	158,000							
370,300	349,665	20,635						
<u>538,300</u>	<u>517,259</u>	<u>21,041</u>	<u>6,240,502</u>	<u>5,539,127</u>	<u>701,375</u>	<u>2,000</u>	<u>2,000</u>	
<u>(27,764)</u>	<u>(28,424)</u>	<u>(660)</u>	<u>199,578</u>	<u>2,674,986</u>	<u>2,475,408</u>	<u>(2,000)</u>	<u>(2,000)</u>	
			1,221,000	1,221,000				
				3	3			
34,766	34,766							
<u>34,766</u>	<u>34,766</u>		<u>1,221,000</u>	<u>1,221,003</u>	<u>3</u>			
7,002	6,342	(660)	1,420,578	3,895,989	2,475,411	(2,000)	(2,000)	
221,052	221,052		6,126,990	6,126,990		1,000	1,000	
			35,676	35,676		1,000	1,000	
<u>\$228,054</u>	<u>\$227,394</u>	<u>(\$660)</u>	<u>\$7,583,244</u>	<u>\$10,058,655</u>	<u>\$2,475,411</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Operating Revenues:	
Sales	<u>\$191,158</u>
Operating Expenses:	
Salaries	99,829
Fringe Benefits	14,972
Purchased Services	1,888
Supplies and Materials	12,647
Cost of Sales	135,650
Depreciation	<u>3,174</u>
Total Operating Expenses	<u>268,160</u>
Operating Loss	<u>(77,002)</u>
Non-Operating Revenues:	
Federal Donated Commodities	23,630
Interest	74
Federal and State Subsidies	<u>54,204</u>
Total Non-Operating Revenues	<u>77,908</u>
Income Before Operating Transfers	906
Operating Transfers - In	<u>10,000</u>
Net Income	10,906
Retained Earnings at Beginning of Year	<u>15,378</u>
Retained Earnings at End of Year	<u><u>\$26,284</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$187,500	\$185,277	(\$2,223)
Interest	1,500	74	(1,426)
Federal and State Subsidies	63,000	47,384	(15,616)
Total Revenues	<u>252,000</u>	<u>232,735</u>	<u>(19,265)</u>
Expenses:			
Salaries	100,500	98,437	2,063
Fringe Benefits	16,980	16,346	634
Purchased Services	6,300	1,888	4,412
Supplies and Materials	141,212	128,916	12,296
Capital Outlay	2,000	1,080	920
Total Expenses	<u>266,992</u>	<u>246,667</u>	<u>20,325</u>
Excess of Revenues Under Expenses	(14,992)	(13,932)	1,060
Operating Transfers - In	<u>10,000</u>	<u>10,000</u>	<u></u>
Excess of Revenues Under Expenses and Transfers	(4,992)	(3,932)	1,060
Fund Equity at Beginning of Year	23,903	23,903	
Prior Year Encumbrances Appropriated	<u>112</u>	<u>112</u>	<u></u>
Fund Equity at End of Year	<u><u>\$19,023</u></u>	<u><u>\$20,083</u></u>	<u><u>\$1,060</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:	
Cash Received from Customers	\$185,277
Cash Payments for Employee Services and Benefits	(114,783)
Cash Payments to Suppliers for Goods and Services	(130,804)
Net Cash Used For Operating Activities	(60,310)

Cash Flows from Noncapital Financing Activities:

Operating Transfers - In	10,000
Federal and State Subsidies Received	47,384
Net Cash Provided By Noncapital Financing Activities	57,384

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(1,080)
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Cash Flows from Investing Activities:

Interest	74
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Net Decrease in Cash and Cash Equivalents (3,932)

Cash and Cash Equivalents Beginning of Year 24,015

Cash and Cash Equivalents End of Year \$20,083

Reconciliation of Operating Loss to Net

Cash Used For Operating Activities:	
Operating Loss	(\$77,002)

Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:

Depreciation	3,174
Donated Commodities Used	18,853
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(5,881)
Decrease in Inventory Held for Resale	544
Increase in Inventory of Supplies and Materials	(16)
Decrease in Accrued Wages and Benefits Payable	(1,014)
Increase in Compensated Absences Payable	648
Increase in Intergovernmental Payable	384
Net Cash Used For Operating Activities	(\$60,310)

Non-Cash Transactions:

During fiscal year 2002, the Food Service Enterprise Fund received \$23,630 in donated commodities.

See Accompanying Notes to the General Purpose Financial Statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Tri-Village Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1972 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 82 square miles. It is located in Darke County, and includes all of the Village of New Madison and portions of Butler, Harrison, Liberty, Neave and Washington Townships. The School District is staffed by 42 non-certificated employees, 58 certificated full-time teaching personnel and 3 administrative employees who provide services to 773 students and other community members. The School District currently operates two instructional buildings and one administrative building.

A. Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that 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 Tri-Village Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

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

Village of New Madison - The village government of New Madison is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Parent Teacher Association - The School District is not involved in the budgeting or management, and is not responsible for any debt and has no influence over the organization.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The School District participates in three jointly governed organizations, one related organization, and two insurance purchasing pools. These organizations are discussed in Note 17 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Related Organization:

New Madison Public Library

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers' Compensation
Group Rating Plan
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than the expendable trust or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

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

Capital Projects Funds

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

2. Proprietary Fund Type:

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

Enterprise Funds

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

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

4. Account Groups:

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) 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 fiscal 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 expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

C. Budgetary Process

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

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All funds, other than the agency fund, are required to be budgeted and appropriated. A portion of the Title III, Title VI-B, and EHA Preschool Grant special revenue funds' grant activity that is administered by the fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at the legal levels of control may only be made by resolution of the Board of Education.

1. Tax Budget:

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

2. Estimated Resources:

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

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control.

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

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts adopted during the current fiscal year, including all amendments and modifications. Formal budgetary integration is employed as a management control device by the Board of Education during the fiscal year for all funds, other than portions of the Title III, Title VI-B, and the EHA Preschool Grant special revenue funds, and the agency fund, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

The balance of the grant activity administered by the fiscal agent is presented on the balance sheet as "cash and cash equivalents with fiscal agent" within the special revenue funds and represents deposits of the Darke County Educational Service Center.

During fiscal year 2002, investments were limited to STAR Ohio (State Treasury Asset Reserve of Ohio), Armada Government Money Market Mutual Fund, and Bayerische Hypo Und Verinsbank Investments. Investments are reported at fair value which is based on quoted market prices. Fair value of the mutual fund is based on the fund's current share price.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$57,993 which includes \$28,293 assigned from other School District funds.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the fiscal year in which services are consumed.

F. Inventory

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

G. Restricted Assets

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets in the General Fund represent monies required by State statute to be set-aside for the creation of a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of ten to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

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

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

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year-end are considered not to have used current available financial resources. General obligation bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Fund Balance Reserves and Designation

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory of supplies and materials, property taxes, and budget stabilization. A fund designation has been established for textbooks and instructional materials.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Estimates

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

N. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY

At June 30, 2002, the Reducing Class Size Special Revenue Fund had a deficit fund balance of \$536. The General Fund regularly provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent are included for GAAP reporting purposes (GAAP basis).
5. For the proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$187,030)	\$20,438	(\$37,511)	\$6,141,539	(\$2,000)
Revenue Accruals	317,851	(5,082)	44,013	0	0
Expenditure Accruals	(90,628)	(5,428)	0	842,150	0
Prepaid Items	(2,077)	0	0	0	0
Unrecorded Cash	(2,298)	0	(160)	(20,087)	0
Decrease in Fair Value of Investments	0	0	0	3,207	0
Non-budgeted Activity	0	2,465	0	0	0
Outstanding Encumbrances	(125,556)	(16,746)	0	(3,070,820)	0
Budget Basis	<u>(\$89,738)</u>	<u>(\$4,353)</u>	<u>\$6,342</u>	<u>\$3,895,989</u>	<u>(\$2,000)</u>

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

**Net Income/Excess of Revenues Under Expenses and
Transfers
All Enterprise Funds**

GAAP Basis	\$10,906
Revenue Accruals	(7,924)
Expense Accruals	(3,703)
Acquisition of Capital Assets	(1,080)
Inventory of Supplies and Materials	16
Federal Donated Commodities	(4,777)
Inventory Held for Resale	(544)
Depreciation Expense	3,174
Budget Basis	<u><u>(\$3,932)</u></u>

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At fiscal year-end, the School District had \$2,205 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$1,420,978 and the bank balance was \$1,453,330. Of the bank balance, \$141,609 was covered by federal depository insurance and \$1,311,721 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio, the Armada Government Money Market Mutual Fund, and the Bayerische Hypo Und Verinsbank Investment are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

At June 30, 2002, the School District had "cash and cash equivalents with fiscal agent" in the special revenue funds of \$2,831. The money is held by the Darke County Educational Service Center, which is the fiscal agent for several School Districts. Since the monies are commingled, they cannot be classified by risk individually under GASB Statement No. 3. The classification for the Darke County Educational Service Center as a whole can be obtained by writing to Carolyn Gallimore, who serves as Treasurer, at 5279 Education Drive, Greenville, Ohio 45331.

	Unclassified	Carrying/Fair Value
STAR Ohio	\$11,982,914	\$11,982,914
Armada Government Money Market Mutual Fund	6,790	6,790
Bayerische Hypo Und Verinsbank Investment	1,201,045	1,201,045
Total	\$13,190,749	\$13,190,749

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$14,616,763	\$0
Cash on Hand	(2,205)	0
Cash with Fiscal Agent	(2,831)	0
Investments of the Cash Management Pool:		
STAR Ohio	(11,982,914)	11,982,914
Armada Government Money Market Mutual Fund	(6,790)	6,790
Bayerische Hypo Und Verinsbank Investment	(1,201,045)	1,201,045
GASB Statement No. 3	\$1,420,978	\$13,190,749

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate Personal Property – Public Utility	\$51,553,430	73.99%	\$52,220,300	74.10%
Tangible Personal Property	15,342,910	22.02%	15,319,690	21.74%
Total Assessed Value	<u>2,781,520</u>	<u>3.99%</u>	<u>2,929,730</u>	<u>4.16%</u>
	<u>\$69,677,860</u>	<u>100.00%</u>	<u>\$70,469,720</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.15		\$35.12	

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. PROPERTY TAXES (Continued)

The decrease in the tax rate was for a 0.03 mill construction levy that ended. The original construction levy was passed during fiscal year 1980 and was renewed every five years. The last renewal was the first half of fiscal year 2000. The last of the collections came in the first half of fiscal year 2001, due to the levy being dropped when the building/renovation levy was passed in November 2000.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current fiscal year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2002, was \$101,982 in the General Fund, \$2,488 in the Classroom Facilities Maintenance Special Revenue Fund, and \$34,555 in the Bond Retirement Debt Service Fund.

7. INCOME TAX

The School District levies a voted tax of one and one-half percent for general operations on the income of residents and of estates. The original one percent tax was effective on January 1, 1991, and is a continuing tax. During May 1999, the voters of the School District approved an increase of one-half percent for a total continuing income tax of one and one-half percent, effective January 1, 2000. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

8. RECEIVABLES

Receivables at June 30, 2002, consisted of both property and income taxes, accounts (student fees), accrued interest, and intergovernmental (billings for user charged services and grants). All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

8. RECEIVABLES (Continued)

	Amounts
General Fund:	
Ansonia LSD SED Transportation Excess Costs	\$5,068
Franklin Monroe LSD Transportation Excess Costs	10,889
Arcanum-Butler LSD MH/SED Excess Costs	2,258
SF-3 Adjustment	3,623
FFA Field Trip Reimbursement	1,341
Total General Fund	23,179
Special Revenue Fund:	
Title I	8,319
Capital Projects Fund:	
Classroom Facilities	469,990
Enterprise Fund:	
Federal and State Lunchroom	6,820
Total Intergovernmental Receivables	\$508,308

9. FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$77,286
Less Accumulated Depreciation	(64,930)
Net Fixed Assets	\$12,356

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$92,365	\$111,397	\$0	\$203,762
Buildings and Improvements	2,562,898	0	0	2,562,898
Furniture, Fixtures and Equipment	1,282,548	127,718	111,160	1,299,106
Vehicles	782,956	51,205	0	834,161
Construction-in-Progress	257,330	3,110,047	0	3,367,377
Totals	\$4,978,097	\$3,400,367	\$111,160	\$8,267,304

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Cincinnati Insurance Company for building and contents, boiler and machinery, crime, and contractors' equipment coverage; New Madison Insurance Company for automobile; and Harcum-Hyre Insurance Agency, Inc. for general liability, fire damage, and medical expense.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

10. RISK MANAGEMENT (Continued)

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$1,000 deductible)	\$13,292,307
Boiler and Machinery (\$1,000 deductible)	500,000
Crime Insurance	2,500
Contractors' Equipment Coverage (tractor and mower)	7,140
Automobile Liability (\$100 deductible)	1,000,000
Uninsured/Underinsured Motorists (\$250 deductible)	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000
Fire Damage	500,000
Medical Expense	10,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 17). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the MBP. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$54,875, \$34,404, and \$28,330, respectively; 52 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$26,587 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by State statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$247,478, \$250,617, and \$135,489, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$42,690 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board members contribute to SERS.

12. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$117,226 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$91,236.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for classified employees and 256 days for certified personnel. Upon retirement, employees who have worked continuously with the School District for at least five years receive payment for one-fourth of accrued, but unused sick leave credit to a maximum of 57.5 days for classified employees and 64 days for certified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance through Core Source, Inc. to employees. Medical/surgical benefits are provided by Anthem through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP) (Note 17). Vision insurance is provided through Vision Service Plan. Dental insurance is provided through CoreSource, Inc.

14. CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2002, the School District entered into a capitalized lease for the renovation and construction of additions to the high school that will begin in fiscal year 2003 at the School District. No lease payments have been made as of June 30, 2002. In prior fiscal years, the School District entered into capitalized leases for copiers and computer equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements in the General Fund. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of copiers and computer equipment have been capitalized in the General Fixed Assets Account Group in the amount of \$95,970. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in fiscal year 2002 totaled \$34,431 in the General Fund.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	Total
2003	\$ 43,987
2004	75,577
2005	75,666
2006	75,709
2007	75,705
2008-2012	378,736
2013-2017	378,275
2018-2022	376,315
2023-2027	379,358
2028-2032	378,275
2033	75,728
Total	2,313,331
Less: Amount Representing Interest	(1,066,924)
Present Value of Minimum Lease Payments	\$1,246,407

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Amount Outstanding 6/30/01	Additions	Deductions	Amount Outstanding 6/30/02
School Improvement				
Bonds 1988 7.25%	\$430,000	\$0	\$40,000	\$390,000
School Facilities Construction and				
Improvement Bonds 2001 3.4%-5.8%	5,710,000	0	85,000	5,625,000
Bus Acquisition Bonds 1997 5.2%-5.35%	33,000	0	33,000	0
Energy Conservation				
Loan 1992 6.85%	40,000	0	25,000	15,000
Total Long-Term Bonds and Loans	6,213,000	0	183,000	6,030,000
Capital Leases Payable	59,838	1,221,000	34,431	1,246,407
Intergovernmental Payable	50,049	44,230	50,049	44,230
Compensated Absences Payable	336,700	25,805	0	362,505
Total General Long-Term Obligations	\$6,659,587	\$1,291,035	\$267,480	\$7,683,142

The School Improvement Bonds were issued February 1, 1988, in the amount of \$910,000, for the purpose of school improvements. The bonds will mature December 1, 2010, and will be retired from the Bond Retirement Debt Service Fund.

The School Facilities Construction and Improvement Bonds were issued April 10, 2001, for the purpose of constructing additions to and renovating and improving the existing junior-senior high school to house grades K-12, including multi-purpose facilities for school and community use, along with health and safety upgrades and improving access for the disabled. The original bond issue was for \$5,710,000. The bonds will mature December 1, 2023, and will be retired from the Bond Retirement Debt Service Fund.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

The Bus Acquisition Bonds were issued June 1, 1997, for the purpose of acquiring buses, in the amount of \$150,000. The bonds matured April 15, 2002, and were retired from the Bond Retirement Debt Service Fund.

The Energy Conservation Loan was issued August 1, 1992, for the purpose of making energy conservation improvements. The loan was issued for \$195,000. The loan will mature December 1, 2002, and will be retired from the General Fund.

Capital leases payable will be paid from the General Fund. The intergovernmental payable represents contractually required pension contributions paid outside the available period. Intergovernmental payable and compensated absences will be paid from the funds from which the employees' salaries are paid.

The School District's overall legal debt margin was \$589,384, the energy conservation debt margin was \$619,227 and the unvoted debt margin was \$70,470 at June 30, 2002. Principal and interest requirements to retire general obligation debt, including loans outstanding at June 30, 2002, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$205,000	\$295,324	\$500,324
2004	200,000	286,522	486,522
2005	205,000	277,688	482,688
2006	220,000	268,102	488,102
2007	225,000	257,871	482,871
2008-2012	1,205,000	1,119,007	2,324,007
2013-2017	1,300,000	801,050	2,101,050
2018-2022	1,680,000	419,371	2,099,371
2023-2024	790,000	41,000	831,000
Total	<u>\$6,030,000</u>	<u>\$3,765,935</u>	<u>\$9,795,935</u>

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Tri-Village Local School District as of and for the fiscal year ended June 30, 2002.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$138,083	\$53,075	\$191,158
Depreciation Expense	3,174	0	3,174
Operating Income (Loss)	(79,287)	2,285	(77,002)
Federal Donated Commodities	23,630	0	23,630
Interest	74	0	74
Federal and State Subsidies	54,204	0	54,204
Operating Transfers - In	10,000	0	10,000
Net Income	8,621	2,285	10,906
Fixed Asset Additions	1,080	0	1,080
Net Working Capital	1,657	19,439	21,096
Total Assets	38,716	19,439	58,155
Long-Term Compensated Absences Payable	7,168	0	7,168
Total Equity	6,845	19,439	26,284

17. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION, AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The Tri-Village Local School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. During fiscal year 2002, the School District paid \$37,040 to MDECA. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION, AND INSURANCE
PURCHASING POOLS (Continued)**

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2002, the School District paid \$2,756 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2002, the School District paid \$1,246 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

B. Related Organization

New Madison Public Library - The New Madison Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tri-Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the New Madison Public Library, Kathryn Williams, Clerk/Treasurer, at 142 South Main Street, New Madison, Ohio 45346-0032.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION, AND INSURANCE PURCHASING POOLS (Continued)

C. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

18. CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

19. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements and an equal amount for the purchase of textbooks and other instructional materials. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set-aside for this purpose.

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

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

19. SET-ASIDE CALCULATIONS (Continued)

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2001	\$21,013	(\$5,774,950)	\$4,169
Current Year Set-aside Requirement	0	94,348	94,348
Offsets	0	(1,255,991)	0
Qualifying Disbursements	0	(115,076)	(148,792)
Total	\$21,013	(\$7,051,669)	(\$50,275)
Set-aside Balance Carried Forward to Future Fiscal Years	\$21,013	(\$6,936,593)	(\$50,275)
Set-aside Reserve Balance as of June 30, 2002	\$21,013	\$0	\$0

The School District had offsets and qualifying disbursements for capital acquisition and textbooks/instructional materials during the fiscal year that reduced the set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirement of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvement set-aside, the negative amount can only be carried forward to the extent of proceeds from sale of bonds and Classroom Facilities Special Revenue Fund receipts.

20. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had contractual purchase commitments as follows:

Company	Project	Contract Amount	Amount Expended	Balance at 6/30/02
PSI Engineering	Construction Materials Observation/Testing for Site Demolition	\$15,000	\$5,969	\$9,031
Rainbow Environmental	Removal of Floor Tile	56,403	41,097	15,306
Fanning Howey Associates	Lockerroom/Bleacher Design	21,383	2,885	18,498
PSI Engineering	Concrete Strength Reports	51,000	28,399	22,601
Fanning Howey Associates	Architectural Fees	26,700	0	26,700
St. Henry Tile	Brick Purchase for Building	73,009	20,449	52,560
Darke County General Health District	Building Permits	5,000	0	5,000
PSI Engineering	Construction Materials Testing	38,285	0	38,285
Spectrum Reporting, LLC	Legal Fees	20,000	3,374	16,626
Black and White Technologies	Electrical Contract	14,553	3,350	11,203
GM Mechanical	HVAC/Plumbing	2,150,000	334,628	1,815,372
Black and White Technologies	Electrical Contract	983,520	75,000	908,520
Totals		\$3,454,853	\$515,151	\$2,939,702

The School District will be authorizing additional contracts in the future as the Classroom Facilities building project progresses. This is a \$14,000,000 project.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

21. STATE SCHOOL FUNDING DECISION

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

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

22. SUBSEQUENT EVENT

The School District authorized the following contractual commitments after June 30, 2002:

<u>Company</u>	<u>Project</u>	<u>Amount</u>
Bricker and Eckler	Attorney Fees	\$128,610
PSI Engineering	Construction Materials Testing	67,500
Rainbow Environmental	Removal of Floor Tile	54,953
Cincy Fire Protection	Fire Protection	136,900
George Igel and Company, Inc.	Site Work	600,000
Peterson Construction	General Trades	1,800,000
Total		<u>\$2,787,963</u>

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**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$974,362	\$144,629	\$221,052	\$6,162,668
Cash and Cash Equivalents with Fiscal Agent		5,296		
Receivables:				
Property and Other Taxes	1,375,190	32,424	450,613	
Income Taxes	418,976			
Accounts		236		
Intergovernmental	36,846			8,478,549
Accrued Interest	3,574			
Prepaid Items	13,760			
Inventory Held for Resale				
Inventory of Supplies and Materials	6,971			
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	25,182			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	<u>2,854,861</u>	<u>182,585</u>	<u>671,665</u>	<u>14,641,217</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	16,622	4,882		7,359
Accrued Wages and Benefits Payable	428,672	11,793		
Compensated Absences Payable	6,841			
Intergovernmental Payable	115,099	1,339		
Deferred Revenue	1,185,271	26,788	372,045	8,478,549
Due to Students				
Capital Leases Payable				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>1,752,505</u>	<u>44,802</u>	<u>372,045</u>	<u>8,485,908</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	85,390	9,003		29,001
Reserved for Inventory of Supplies and Materials	6,971			
Reserved for Property Taxes	251,617	5,636	78,568	
Reserved for Textbooks/Instructional Materials	4,169			
Reserved for Budget Stabilization	21,013			
Designated for Textbooks/Instructional Materials	16,359			
Unreserved, Undesignated	716,837	123,144	221,052	6,126,308
Total Fund Equity and Other Credits	<u>1,102,356</u>	<u>137,783</u>	<u>299,620</u>	<u>6,155,309</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,854,861</u>	<u>\$182,585</u>	<u>\$671,665</u>	<u>\$14,641,217</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$24,015	\$34,904			\$7,561,630 5,296
				1,858,227
6,296				418,976
				6,532
				8,515,395
8,249				3,574
628				8,249
				7,599
				25,182
14,450		4,978,097		4,992,547
			299,620	299,620
			6,359,967	6,359,967
<u>53,638</u>	<u>34,904</u>	<u>4,978,097</u>	<u>6,659,587</u>	<u>30,076,554</u>
				28,863
16,114				456,579
6,520			336,700	350,061
9,219			50,049	175,706
6,407				10,069,060
	32,904			32,904
			59,838	59,838
			40,000	40,000
			6,173,000	6,173,000
<u>38,260</u>	<u>32,904</u>		<u>6,659,587</u>	<u>17,386,011</u>
		4,978,097		4,978,097
15,378				15,378
				123,394
				6,971
				335,821
				4,169
				21,013
				16,359
	2,000			7,189,341
<u>15,378</u>	<u>2,000</u>	<u>4,978,097</u>		<u>12,690,543</u>
<u>\$53,638</u>	<u>\$34,904</u>	<u>\$4,978,097</u>	<u>\$6,659,587</u>	<u>\$30,076,554</u>

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Revenues:						
Property Taxes	\$1,459,150	\$22,183	\$182,798	\$204,497		\$1,868,628
Income Taxes	933,872					933,872
Tuition and Fees	287,238					287,238
Interest	167,353			158,407		325,760
Intergovernmental	2,745,635	205,408	25,312	511,322		3,487,677
Extracurricular Activities		198,980				198,980
Gifts and Donations		8,427				8,427
Miscellaneous	14,837	3,840				18,677
Total Revenues	<u>5,608,085</u>	<u>438,838</u>	<u>208,110</u>	<u>874,226</u>		<u>7,129,259</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,471,777	50,826		32,924		2,555,527
Special	447,602	74,966				522,568
Vocational	106,576					106,576
Support Services:						
Pupils	177,451	1,893				179,344
Instructional Staff	202,899	84,514		307		287,720
Board of Education	7,410					7,410
Administration	446,452			2,872		449,324
Fiscal	183,539	340	5,441	3,206		192,526
Operation and Maintenance of Plant	348,946	853		10,456		360,255
Pupil Transportation	478,127	5,638		2,941		486,706
Central	15,983	4,999				20,982
Operation of Non-Instructional Services		3,415				3,415
Extracurricular Activities	102,164	200,536			2,000	304,700
Capital Outlay	88,203			304,213		392,416
Debt Service:						
Principal Retirement	47,252		71,000			118,252
Interest and Fiscal Charges	8,773		36,595	150,884		196,252
Total Expenditures	<u>5,133,154</u>	<u>427,980</u>	<u>113,036</u>	<u>507,803</u>	<u>2,000</u>	<u>6,183,973</u>
Excess of Revenues Over (Under) Expenditures	<u>474,931</u>	<u>10,858</u>	<u>95,074</u>	<u>366,423</u>	<u>(2,000)</u>	<u>945,286</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds				5,710,000		5,710,000
Operating Transfers - In	7,145		34,393			41,538
Operating Transfers - Out	(34,393)	(7,145)				(41,538)
Total Other Financing Sources (Uses)	<u>(27,248)</u>	<u>(7,145)</u>	<u>34,393</u>	<u>5,710,000</u>		<u>5,710,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	447,683	3,713	129,467	6,076,423	(2,000)	6,655,286
Fund Balances at Beginning of Year - Restated (Note 3)	657,290	134,070	170,153	78,886	4,000	1,044,399
Decrease in Reserve for Inventory	<u>(2,617)</u>					<u>(2,617)</u>
Fund Balances at End of Year	<u>\$1,102,356</u>	<u>\$137,783</u>	<u>\$299,620</u>	<u>\$6,155,309</u>	<u>\$2,000</u>	<u>\$7,697,068</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,350,146	\$1,338,928	(\$11,218)	\$16,000	\$16,547	\$547
Income Tax	732,227	816,091	83,864			
Tuition and Fees	332,140	308,548	(23,592)			
Interest	64,450	159,125	94,675			
Intergovernmental	2,810,199	2,746,335	(63,864)	200,560	177,425	(23,135)
Extracurricular Activities				191,024	198,821	7,797
Gifts and Donations				5,700	8,427	2,727
Rent	500		(500)			
Miscellaneous	3,108	3,816	708	2,800	3,840	1,040
Total Revenues	<u>5,292,770</u>	<u>5,372,843</u>	<u>80,073</u>	<u>416,084</u>	<u>405,060</u>	<u>(11,024)</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,552,697	2,467,562	85,135	69,072	53,504	15,568
Special	531,014	481,411	49,603	83,786	77,358	6,428
Vocational	110,466	106,132	4,334			
Other	9,200	4,859	4,341			
Support Services:						
Pupils	201,076	191,274	9,802	444	185	259
Instructional Staff	211,669	202,751	8,918	86,446	46,876	39,570
Board of Education	8,800	7,410	1,390			
Administration	488,040	457,204	30,836			
Fiscal	190,356	180,174	10,182	600	340	260
Operation and Maintenance of Plant	396,395	379,710	16,685	853	853	
Pupil Transportation	541,004	519,203	21,801	12,168	5,633	6,535
Central	19,281	17,961	1,320	4,999	4,999	
Operation of Non-Instructional Services				4,086	3,685	401
Extracurricular Activities	106,229	103,558	2,671	243,477	209,476	34,001
Capital Outlay	212,500	89,628	122,872			
Debt Service:						
Principal Retirement	20,000	20,000				
Interest and Fiscal Charges	3,800	3,768	32			
Total Expenditures	<u>5,602,527</u>	<u>5,232,605</u>	<u>369,922</u>	<u>505,931</u>	<u>402,909</u>	<u>103,022</u>
Excess of Revenues Over (Under) Expenditures	<u>(309,757)</u>	<u>140,238</u>	<u>449,995</u>	<u>(89,847)</u>	<u>2,151</u>	<u>91,998</u>
Other Financing Sources (Uses):						
Other Financing Sources		6,837	6,837	27,000	27,000	
Proceeds from Sale of Bonds						
Proceeds from Sale of Note						
Refund of Prior Year Expenditures	30,000	52,573	22,573			
Refund of Prior Year Receipts	(35,000)	(32,905)	2,095			
Operating Transfers - In	0	7,145	7,145			
Operating Transfers - Out	<u>(35,000)</u>	<u>(34,393)</u>	<u>607</u>	<u>(7,145)</u>	<u>(7,145)</u>	
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(743)</u>	<u>39,257</u>	<u>19,855</u>	<u>19,855</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(349,757)</u>	<u>139,495</u>	<u>489,252</u>	<u>(69,992)</u>	<u>22,006</u>	<u>(91,998)</u>
Fund Balances at Beginning of Year	514,784	514,784		90,215	90,215	
Prior Year Encumbrances Appropriated	249,187	249,187		19,967	19,967	
Fund Balances at End of Year	<u>\$414,214</u>	<u>\$903,466</u>	<u>\$489,252</u>	<u>\$40,190</u>	<u>\$132,188</u>	<u>\$91,998</u>

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$260,000	\$262,144	\$2,144	\$134,570	\$64,950	(\$69,620)			
7,625	25,312	17,687	100,000	158,407	58,407			
			1,054,000	511,322	(542,678)			
<u>267,625</u>	<u>287,456</u>	<u>19,831</u>	<u>1,288,570</u>	<u>734,679</u>	<u>(553,891)</u>			
			44,459	33,000	11,459			
			328	328				
7,000	5,441	1,559	3,350	2,872	478			
			7,300	3,206	4,094			
			22,200	11,246	10,954			
			3,000	2,941	59			
			77		77			
			801,000	332,679	468,321	3,000	3,000	
5,781,000	5,781,000							
187,902	187,478	424						
<u>5,975,902</u>	<u>5,973,919</u>	<u>1,983</u>	<u>881,714</u>	<u>386,272</u>	<u>495,442</u>	<u>3,000</u>	<u>3,000</u>	
<u>(5,708,277)</u>	<u>(5,686,463)</u>	<u>21,814</u>	<u>406,856</u>	<u>348,407</u>	<u>(58,449)</u>	<u>(3,000)</u>	<u>(3,000)</u>	
5,710,000	5,710,000		5,710,000	5,710,000				
34,393	34,393							
<u>5,744,393</u>	<u>5,744,393</u>		<u>5,710,000</u>	<u>5,710,000</u>				
36,116	57,930	(21,814)	6,116,856	6,058,407	58,449	(3,000)	(3,000)	
163,122	163,122		62,883	62,883		3,000	3,000	
			5,700	5,700		1,000	1,000	
<u>\$199,238</u>	<u>\$221,052</u>	<u>\$21,814</u>	<u>\$6,185,439</u>	<u>\$6,126,990</u>	<u>(\$58,449)</u>	<u>\$1,000</u>	<u>\$1,000</u>	<u>\$0</u>

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Operating Revenues:

Sales	\$174,222
Total Operating Revenues	<u>174,222</u>

Operating Expenses:

Salaries and Wages	96,682
Fringe Benefits	35,262
Purchased Services	7,179
Supplies and Materials	12,587
Cost of Sales	122,537
Depreciation	3,254
Total Operating Expenses	<u>277,501</u>

Operating Loss	<u>(103,279)</u>
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Non-Operating Revenues:

Federal Donated Commodities	19,559
Interest	1,585
Federal and State Subsidies	64,342
Total Non-Operating Revenues	<u>85,486</u>

Net Loss	(17,793)
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Retained Earnings at Beginning of Year	<u>33,171</u>
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Retained Earnings at End of Year	<u><u>\$15,378</u></u>
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See Accompanying Notes to the General Purpose Financial Statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$187,300	\$173,073	(\$14,227)
Interest	700	1,585	885
Federal and State Subsidies	<u>62,000</u>	<u>64,342</u>	<u>2,342</u>
Total Revenues	<u>250,000</u>	<u>239,000</u>	<u>(11,000)</u>
Expenses:			
Salaries	96,480	95,060	1,420
Fringe Benefits	35,450	34,299	1,151
Purchased Services	8,000	7,179	821
Supplies and Materials	123,783	116,466	7,317
Capital Outlay	<u>900</u>	<u></u>	<u>900</u>
Total Expenses	<u>264,613</u>	<u>253,004</u>	<u>11,609</u>
Excess of Revenues Under Expenses	(14,613)	(14,004)	609
Fund Equity at Beginning of Year	36,994	36,994	
Prior Year Encumbrances Appropriated	<u>913</u>	<u>913</u>	
Fund Equity at End of Year	<u>\$23,294</u>	<u>\$23,903</u>	<u>\$609</u>

See Accompanying Notes to the General Purpose Financial Statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$173,073
Cash Payments for Employee Services and Benefits	(129,359)
Cash Payments to Suppliers for Goods and Services	(123,533)
Net Cash Used For Operating Activities	(79,819)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies Received	64,342
Net Cash Provided By Noncapital Financing Activities	64,342
Cash Flows from Investing Activities:	
Interest	1,585
Cash Flows Provided By Investing Activities	1,585
Net Increase in Cash and Cash Equivalents	(13,892)
Cash and Cash Equivalents Beginning of Year	37,907
Cash and Cash Equivalents End of Year	24,015
Reconciliation of Operating Loss to Net Cash Used For Operating Activities:	
Operating Loss	(103,279)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:	
Depreciation	3,254
Donated Commodities Used	19,559
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(1,149)
Increase in Inventory Held for Resale	(60)
Increase in Inventory of Supplies and Materials	(66)
Decrease in Accounts Payable	(664)
Increase in Accrued Wages and Benefits Payable	1,502
Increase in Compensated Absences Payable	252
Increase in Intergovernmental Payable	832
Net Cash Used For Operating Activities	(\$79,819)

See Accompanying Notes to the General Purpose Financial Statements.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Tri-Village Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1972 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 82 square miles. It is located in Darke County, and includes all of the Village of New Madison and portions of Butler, Harrison, Liberty, Neave and Washington Townships. The School District is staffed by 42 non-certificated employees, 60 certificated full-time teaching personnel and 3 administrative employees who provide services to 812 students and other community members. The School District currently operates two instructional buildings and one administrative building.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that 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 Tri-Village Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

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

Village of New Madison - The village government of New Madison is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Parent Teacher Association - The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

The School District participates in three jointly governed organizations, one related organization, and one insurance purchasing pool. These organizations are discussed in Note 19 to the general purpose financial statements. These organizations are:

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Related Organization:

New Madison Public Library

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation
Group Rating Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

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

Capital Projects Funds

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

2. Proprietary Fund Type:

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

Enterprise Funds

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

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Account Groups:

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. Proprietary fund types operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

C. Budgetary Data

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

All funds, other than the agency fund, are required to be budgeted and appropriated. A portion of the Title III, Title VI-B, and EHA Preschool Grant special revenue funds' grant activity that is administered by the fiscal agent is also not budgeted by the School District. The legal level of budgetary control is at the object level within each fund and function.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Tax Budget:

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

2. Estimated Resources:

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

3. Appropriations:

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

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts adopted during the current fiscal year, including all amendments and modifications. Formal budgetary integration is employed as a management control device during the year for all funds, other than portions of the Title III, Title VI-B, and the EHA Preschool Grant special revenue funds, and the agency fund, consistent with statutory provisions.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. The balance of the grant activity administered by the fiscal agent is presented on the balance sheet as "cash and cash equivalents with fiscal agent" and represents deposits of the Darke County Educational Service Center.

During fiscal year 2001, investments were limited to STAR Ohio (State Treasury Asset Reserve of Ohio), which is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$167,353 which includes \$99,143 assigned from other School District funds.

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended revenues restricted for amounts required by statute to be set-aside by the School District for the purchase of textbooks and other instructional material and the creation of a reserve for budget stabilization. See Note 21 for additional information regarding set-asides.

H. Estimates

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

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have been paid using current available financial resources. General obligation bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio Law, a debt retirement fund may be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the capital projects funds and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the School District's debt retirement fund has been split between the fund and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves and Designation

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory of supplies and materials, property taxes, textbooks/instructional materials, and budget stabilization. The reserve for budget stabilization consists exclusively of monies received by the School District from the Bureau of Workers' Compensation up to April 10, 2001. A fund designation has been established for textbooks and instructional materials.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

N. Total Columns on General Purpose Financial Statements

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

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available.

Restatements were necessary for intergovernmental receivable due to the implementation of GASB 33.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE
(Continued)**

The special revenue funds had restatements totaling \$34,408, causing fund balance to change from \$99,662 to \$134,070. These changes effected the excess of revenues and other financing sources over (under) expenditures and other financing uses as previously reported for the year ended June 30, 2000 by an increase of \$34,408, from (\$21,242) to \$13,166.

4. ACCOUNTABILITY

At June 30, 2001, the Staff, Education Management Information Systems, and Reducing Class Size Special Revenue Funds and the Food Service Enterprise Fund had deficit fund balances/retained earnings of \$1,000, \$23, \$2,461, and \$1,777, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit in the Food Service Enterprise Fund is the result of operating revenues not supporting operating expenses. In the past, the School District has transferred money from the General Fund to help cover the cost of operations. The School District continues to monitor the situation and make transfers if necessary.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent are included in the special revenue funds for GAAP reporting purposes (GAAP basis).
5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

6. State statute permits note debt to be repaid from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund					
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$447,683	\$ 3,713	\$129,467	\$6,076,423	(\$2,000)
Revenue Accruals	(175,771)	29,613	(71,537)	11,336	0
Expenditure Accruals	(38,380)	(1,630)	0	6,326	0
Prepaid Items	2,041	0	0	0	0
Unrecorded Cash	(61)	0	0	0	0
Proceeds from Sale of Bonds	0	0	5,710,000	(5,710,000)	0
Proceeds from Sale of Notes	0	0	0	5,710,000	0
Debt Principal	0	0	(5,710,000)	0	0
Non-budgeted Activity	0	2,751	0	0	0
Outstanding Encumbrances	(96,017)	(12,441)	0	(35,678)	(1,000)
Budget Basis	<u>\$139,495</u>	<u>\$22,006</u>	<u>\$ 57,930</u>	<u>\$6,058,407</u>	<u>(\$3,000)</u>

**Net Loss/Excess of Revenues Under Expenses
All Enterprise Funds**

GAAP Basis	(\$17,793)
Revenue Accruals	(1,149)
Expense Accruals	1,670
Inventory of Supplies and Materials	66
Inventory Held for Resale	60
Depreciation Expense	3,254
Outstanding Encumbrances	(112)
Budget Basis	<u>(\$14,004)</u>

6. DEPOSITS AND INVESTMENTS

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

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

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

Cash on Hand: At fiscal year end, the School District had \$2,205 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

At June 30, 2001, the School District had "cash and cash equivalents with fiscal agent" in the special revenue funds of \$5,296. The money is held by the Darke County Educational Service Center, which is the fiscal agent of several other School Districts. Since the monies are commingled, they cannot be classified by risk individually under GASB Statement No. 3. The classification for the Darke County Educational Service Center as a whole can be obtained by writing to Carolyn Garver, who serves as Treasurer, at 5279 Education Drive, Greenville, Ohio 45331.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$149,943 and the bank balance was \$382,930. Of the bank balance, \$100,500 was covered by federal depository insurance and \$282,430 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio, an investment fund operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form and has a carrying and fair value of \$7,434,664.

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$7,592,108	\$0
Cash on Hand	(2,205)	0
Cash with Fiscal Agent	(5,296)	0
Investments of the Cash Management Pool:		
STAR Ohio	(7,434,664)	7,434,664
GASB Statement 3	\$149,943	\$7,434,664

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

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

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

The increase in the tax rate was for a 3.4 mill construction levy. The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001, and for which there is an enforceable legal claims. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001, was \$251,617 in the General Fund, \$5,636 in the Classroom Facilities Maintenance Special Revenue Fund, and \$78,568 in the Bond Retirement Debt Service Fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$50,769,250	73.10%	\$51,553,430	73.99%
Personal Property - Public Utility	15,614,360	22.48%	15,342,910	22.02%
Tangible Personal Property	3,064,600	4.42%	2,781,520	3.99%
Total Assessed Value	\$69,448,210	100.00%	\$69,677,860	100.00%
Tax rate per \$1,000 of assessed valuation	\$31.75		\$35.15	

8. INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund. During May 1999, the voters of the School District approved an increase of one-half percent for a total continuing income tax of one and one-half percent, effective January 1, 2000.

9. RECEIVABLES

Receivables at June 30, 2001, consisted of both property and income taxes, accounts (student fees), accrued interest, and intergovernmental (billings for user charged services). All receivables are considered collectible in full.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

9. RECEIVABLESm (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
MH Transportation Excess Costs	\$11,535
Franklin Monroe LSD Transportation Excess Costs	1,553
Arcanum-Butler LSD MH/SED Transportation Excess Costs	7,890
Versailles EVSD MH/SED Transportation Excess Costs	1,676
Mississinawa Valley LSD SED Transportation Costs	1,676
Ansonia LSD SED Transportation Excess Costs	5,508
Arcanum-Butler LSD MH Refund	4,224
Franklin Monroe LSD SED Refund	2,514
FFA Field Trip Reimbursement	270
Total General Fund	36,846
Capital Projects Fund:	
Classroom Facilities	8,478,549
Total Intergovernmental Receivables	\$8,515,395

During fiscal year 2001, the School District was awarded \$8,930,607 for the renovation and additions to the middle/high school under the State's "Classroom Facilities Program." Under this program, the School District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Historically, the School District repaid the State. If the School District's adjusted valuation per pupil was less than the state-side median adjusted valuation per pupil, in lieu of repayment, the School District set-aside the funds that would have been used for repayment to the State for facilities maintenance. As part of the process, the School District was required to submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expired. Legislation effective September 15, 2000, eliminated any possibility that money received by the School District under this program will need to be repaid. As of June 30, 2001, the School District had received \$452,058 of the amount awarded under this program. The remaining \$8,478,549 is recorded as a receivable and deferred revenue on the balance sheet. The School District issued bonds to meet the local share requirement of the grant. See Note 17 for additional information on the bonds.

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$76,206
Less Accumulated Depreciation	(61,756)
Net Fixed Assets	\$14,450

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$52,676	\$45,525	\$5,836	\$92,365
Buildings and Improvements	2,562,898	0	0	2,562,898
Furniture, Fixtures and Equipment	1,176,273	106,275	0	1,282,548
Vehicles	778,577	114,754	110,375	782,956
Construction-in-Progress	0	257,330	0	257,330
Totals	\$4,570,424	\$523,884	\$116,211	\$4,978,097

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Cincinnati Insurance Company for building and contents, boiler and machinery, crime, and contractors' equipment coverage; New Madison Insurance Company for automobile; and Harcum-Hyre Insurance Agency, Inc. for general liability, fire damage, and medical expense.

Coverage was as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$13,242,307
Boiler and Machinery (\$1,000 deductible)	500,000
Crime Insurance	2,500
Contractors' Equipment Coverage (tractor and mower)	7,140
Automobile Liability (\$100 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000
Fire Damage	500,000
Medical Expense	10,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$34,404, \$28,330, and \$47,745, respectively; 44 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$19,300 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$250,617, \$135,489, and \$111,694, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$39,724 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board members contribute to SERS.

13. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$118,713 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$89,635.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

13. POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

14. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for classified employees and 256 days for certified personnel. Upon retirement, employees who have worked continuously with the School District for at least five years receive payment for one-fourth of accrued, but unused sick leave credit to a maximum of 57.5 days for classified employees and 64 days for certified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to employees through Core Source, Inc. Medical/surgical benefits are provided through Anthem. Vision insurance is provided through Vision Service Plan. Dental insurance is provided through CoreSource, Inc.

15. CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into capitalized leases for copiers and computer equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements in the general fund. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of copiers and computer equipment that have been capitalized in the general fixed assets account group in the amount of \$95,970. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$27,252 in the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Fiscal Year Ending June 30,	Total
2002	\$39,934
2003	24,695
Total	64,629
Less: Amount Representing Interest	(4,791)
Total	\$59,838

16. FUND OBLIGATION

During fiscal year 2001, the School District issued and paid a bond anticipation note in the amount of \$5,710,000. The tax anticipation note carried an interest rate of 5.06%. The note was retired from the Bond Retirement Debt Service Fund on a budgetary basis.

17. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Amount Outstanding 6/30/00	Additions	Deductions	Amount Outstanding 6/30/01
School Improvement				
Bonds 1988 7.25%	\$470,000	\$0	\$40,000	\$430,000
School Facilities Construction and Improvement Bonds 2001 3.4%- 5.8%	0	5,710,000	0	5,710,000
Bus Acquisition Bonds 1997 5.2%- 5.35%	64,000	0	31,000	33,000
Energy Conservation				
Loan 1992 6.85%	60,000	0	20,000	40,000
Total Long-Term Bonds and Loans	594,000	5,710,000	91,000	6,213,000
Capital Leases Payable	87,090	0	27,252	59,838
Intergovernmental Payable	43,897	50,049	43,897	50,049
Compensated Absences	327,260	9,440	0	336,700
Total General Long-Term Obligations	\$1,052,247	\$5,769,489	\$162,149	\$6,659,587

The School Improvement Bonds were issued February 1, 1988, for the purpose of school improvements. The bonds will mature December 1, 2010, and will be retired from the Bond Retirement Debt Service Fund.

The School Facilities Construction and Improvement Bonds were issued April 10, 2001, for the purpose of constructing additions to and renovating and improving the existing junior-senior high school to house grades K-12, including multi-purpose facilities for school and community use, along with health and safety upgrades and improving access for the disabled. The bonds will mature December 1, 2023, and will be retired from the Bond Retirement Debt Service Fund.

The Bus Acquisition Bonds were issued June 1, 1997, for the purpose of acquiring buses. The bonds will mature April 15, 2002, and will be retired from the Bond Retirement Debt Service Fund.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

The Energy Conservation Loan was issued August 1, 1992, for the purpose of making energy conservation improvements. The loan will mature December 1, 2002, and will be retired from the General Fund.

Capital leases payable will be paid from the general fund. The intergovernmental payable represents contractually required pension contributions paid outside the available period. Intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$430,627, the energy conservation debt margin was \$587,101 and the unvoted debt margin of \$69,678 at June 30, 2001. Principal and interest requirements to retire general obligation debt, including loans outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$183,000	\$351,484	\$534,484
2003	205,000	295,324	500,324
2004	200,000	286,522	486,522
2005	205,000	277,688	482,688
2006	220,000	268,102	488,102
2007-2011	1,210,000	1,177,485	2,387,485
2012-2016	1,230,000	870,860	2,100,860
2017-2021	1,600,000	500,217	2,100,217
2022-2024	1,160,000	90,737	1,250,737
Total	<u>\$6,213,000</u>	<u>\$4,118,419</u>	<u>\$10,331,419</u>

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Tri-Village Local School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$136,541	\$37,681	\$174,222
Depreciation Expense	3,254	0	3,254
Operating Income (Loss)	(106,813)	3,534	(103,279)
Federal Donated Commodities	19,559	0	19,559
Federal and State Subsidies	64,342	0	64,342
Net Income (Loss)	(21,327)	3,534	(17,793)
Net Working Capital (Deficit)	(9,707)	17,155	7,448
Total Assets	36,483	17,155	53,638
Long-Term Compensated Absences Payable	6,520	0	6,520
Total Equity (Deficit)	(1,777)	17,155	15,378
Encumbrances Outstanding at June 30, 2001	0	112	112

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION, AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The Tri-Village Local School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment for administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. During fiscal year 2001, the School District paid \$21,960 to MDECA. Financial information can be obtained from Jerry Woodyard, who serves as director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2001, the School District paid \$4,786 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools of institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION, AND INSURANCE PURCHASING POOL (Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2001, the School District paid \$3,450 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

B. Related Organization

New Madison Public Library - The New Madison Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tri-Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. No contributions were made to the New Madison Public Library during fiscal year 2001. Financial information can be obtained from the New Madison Public Library, Kathryn Williams, Clerk/Treasurer, at 142 South Main Street, New Madison, Ohio 45346-0032.

C. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

20. CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

21. SET-ASIDE CALCULATIONS

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

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2000	\$21,013	(\$19,693)	\$ 31,774
Current Year Set-aside Requirement	0	107,025	107,025
Offsets	0	(5,743,189)	0
Qualifying Disbursements	0	(119,093)	(134,630)
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$21,013</u>	<u>(\$5,774,950)</u>	<u>\$ 4,169</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$21,013</u>	<u>\$ 0</u>	<u>\$ 4,169</u>

Although the School District had qualifying disbursements for capital acquisition during the year that reduced the set-aside amount to below zero, this extra amount may not be used to reduce the set-aside requirement of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$25,182.

22. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2001, the School District had contractual purchase commitments as follows:

Company	Project	Contract Amount	Amount Expended	Balance at 6/30/01
ATC Associates, Inc.	New Building Construction	\$5,700	\$ 0	\$5,700
Walker Safespace	New Building Construction	37,300	8,375	28,925

The School District will be authorizing additional contracts in the future as the Classroom Facilities building project progresses. This is a \$14,000,000 project.

23. SUBSEQUENT EVENT

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

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



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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Tri Village Local School District
Darke County
P.O. Box 31
New Madison, Ohio 45346

We have audited the financial statements of Tri Village Local School District, Darke County (the District), as of and for the years ended June 30, 2002 and June 30, 2001, and have issued our report thereon dated January 21, 2003, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 33. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 21, 2003.

Tri Village Local School District
Darke County
Independent Accountant's Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, and Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty D. Montgomery
Auditor of State

January 21, 2003



**Auditor of State
Betty Montgomery**

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TRI VILLAGE LOCAL SCHOOL DISTRICT

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 18, 2003**