



**Auditor of State
Betty Montgomery**

TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	1
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	3
Schedule of Federal Awards Receipts and Expenditures	5
Notes to Schedule of Federal Awards Receipts and Expenditures.....	6
Schedule of Findings - <i>OMB Circular A-133 §.505</i>	7
Schedule of Prior Audit Findings - <i>OMB Circular A-133 §.315(b)</i>	9

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Tri-Valley Local School District
Muskingum County
36 E. Muskingum Ave.
Dresden, Ohio 43821

To the Board of Education:

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

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated December 17, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the basic 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 the District's management in a separate letter dated December 17, 2004.

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

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

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

Betty Montgomery
Auditor of State

December 17, 2004



Auditor of State Betty Montgomery

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

Tri-Valley Local School District
Muskingum County
36 E. Muskingum Avenue
Dresden, Ohio 43821

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation what we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 17, 2004.

Schedule of Federal Awards Receipts and Expenditures

We have audited the basic financial statements of the District as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Betty Montgomery
Auditor of State

December 17, 2004

**TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$	\$60,651	\$	\$60,651
School Breakfast Program	10.553	048876-05PU-03	6,927	0	6,927	0
School Breakfast Program	10.553	048876-05PU-04	23,822	0	23,822	0
Total School Breakfast Program			30,749	0	30,749	0
National School Lunch Program	10.555	048876-LLP4-03	58,537	0	58,537	0
National School Lunch Program	10.555	048876-LLP4-04	170,643	0	170,643	0
Total National School Lunch Program			229,180	0	229,180	0
Total Nutrition Cluster			#VALUE!	60,651	#VALUE!	60,651
Total United States Department of Agriculture			#VALUE!	60,651	#VALUE!	60,651
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	048876-C1S1-04	199,957	0	199,957	0
Special Education Grants to States	84.027	048876-6BSF-03-P	48,228	0	48,228	0
		84.027	274,389	0	274,389	0
Total Special Education Grants to States			322,617	0	322,617	0
Safe and Drug-Free Schools and Communities: State Grants	84.186	048876-DRS1-04	12,459	0	12,459	0
Technology Challenge Literacy Grants	84.318	048876-TJS1-04	5,118	0	5,118	0
School Renovation Grants	84.352A	048876-ATS3-03	5,393	0	9,963	0
Improving Teacher Quality State Grants	84.367	048876-TRS1-04	79,652	0	79,652	0
Improving Teacher Quality State Grants	84.367	048876-C2S1-04	17,099	0	17,099	0
Total Improving Teacher Quality State Grants			96,751	0	96,751	0
Total United States Department of Education			642,295	0	646,865	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>Passed Through Ohio Department of MRDD:</i>						
Medical Assistance Program - CAFS	93.778	N/A	53,947	0	53,947	0
Total United States Department of Health and Human Services			53,947	0	53,947	0
Total Federal Awards Receipts and Expenditures			#VALUE!	\$60,651	#VALUE!	\$60,651

**TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

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

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

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to States - CFDA #84.027; Title I Grants to Local Educational Agencies – CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

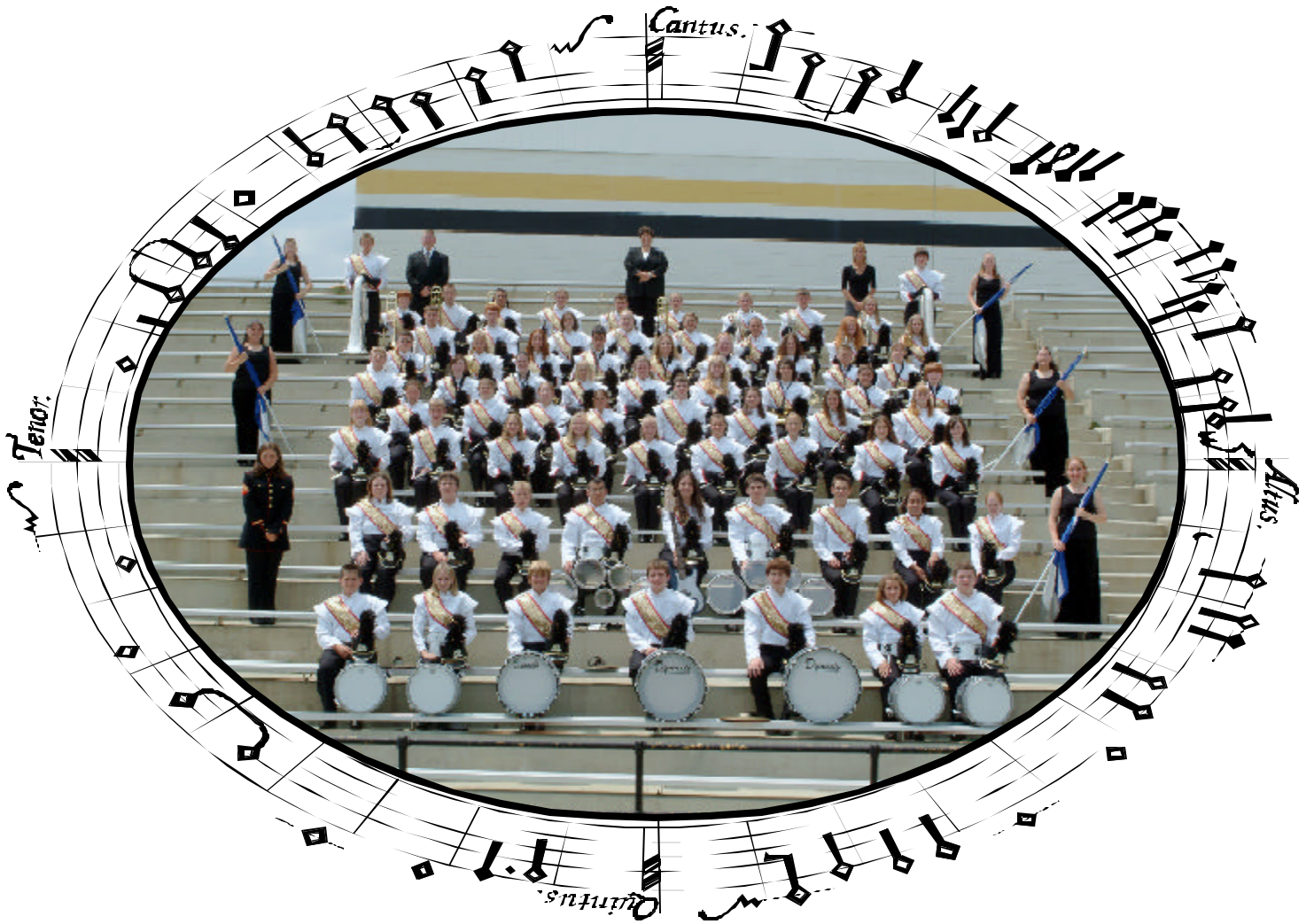
**TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315(b)
FOR THE YEAR ENDED JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	A material noncompliance citation, which was also considered a material weakness, was issued under OMB Circular A-133, Audits of States, Local Governments, and NonProfit Organizations, Subpart C, §__.310(b)(3). This law requires the federal schedule to include total Federal awards expended for each individual Federal program. Subpart B, §__.205(a) indicates that the determination of when an award is expended should be based on when the activity related to the award occurs. Federal expenditures were first made from the General Fund then reflected in the Federal funds once Federal monies were received. This procedure misstated expenditures on the schedule of federal awards.	Yes.	Significant corrective action has been taken to assure federal expenditures are properly reported on the schedule of federal awards. Based on the corrective action taken, this comment is no longer considered a reportable condition/material noncompliance item and it has been downgraded to a management letter recommendation.

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2004



***Tri-Valley Local School District
Dresden, Ohio***

This issue of the Tri-Valley Comprehensive Annual Financial Report is dedicated to Sharon Souder. Sharon was instrumental in the data entry and preparation of this report for publication for the past eight years. Sharon's knowledge, skills, and sense of humor will be greatly missed by our staff.

Additional copies of this report may be obtained by contacting:

Tri-Valley Local School District
Office of the Treasurer
36 E. Muskingum Avenue
Dresden, Ohio 43821
(740) 754-1321

Cover design by Barb Gebbie

This Page is Intentionally Left Blank.

**Tri-Valley Local School District
Dresden, Ohio**

**Comprehensive Annual
Financial Report**

For the Fiscal Year Ended June 30, 2004

**A. Maxwell Maley, Jr.
*Treasurer***

**Lottie Ransbottom
*Assistant to the Treasurer***

**Lillette Holdren
*Assistant to the Treasurer***

Prepared by

Tri-Valley Local School District

Office of the Treasurer

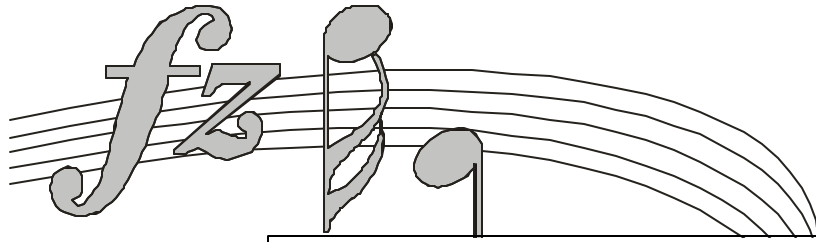
Tri-Valley Local School District Administration

Superintendent *C. Douglas Spade*

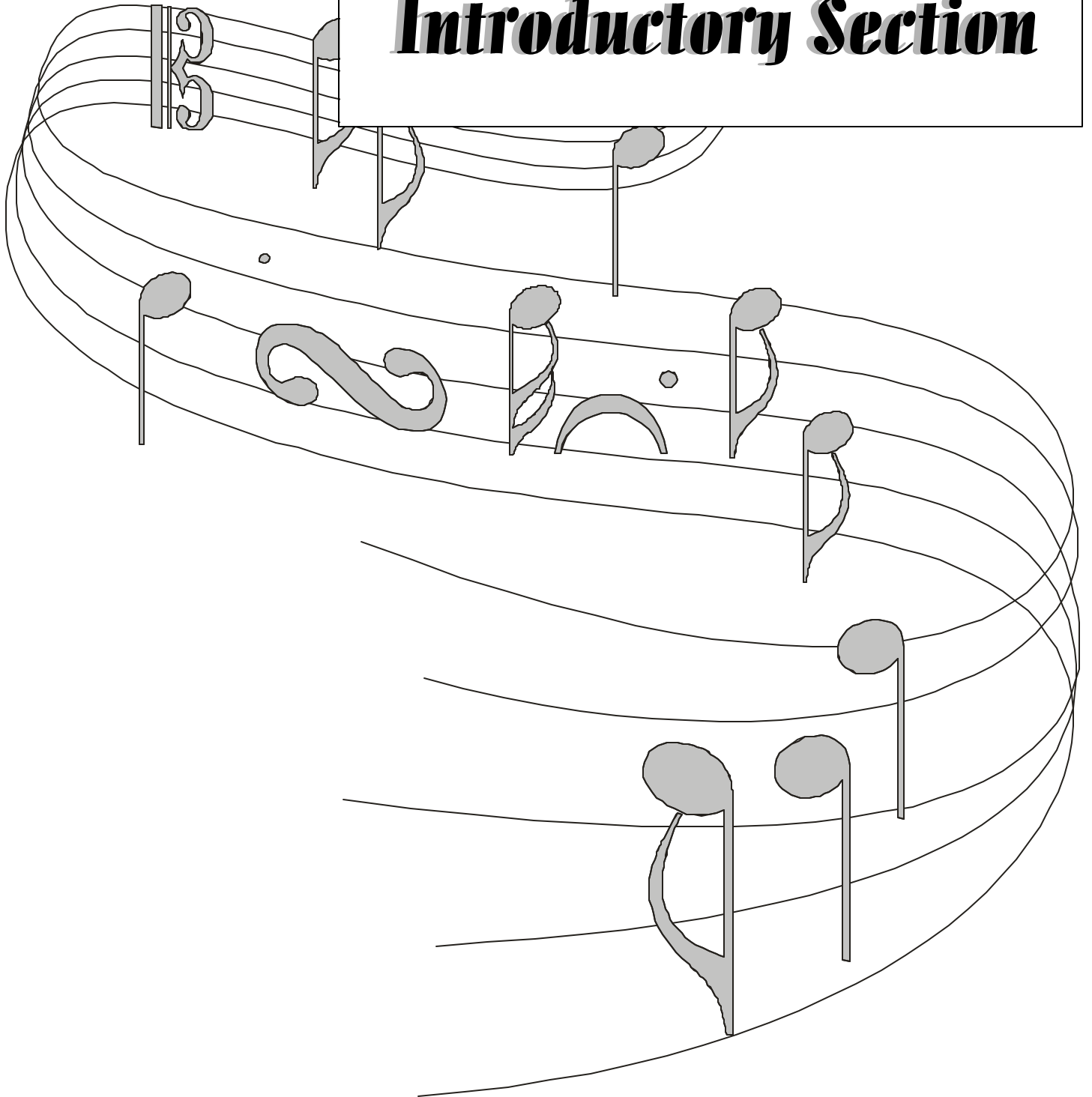
Assistant Superintendent *Marshall W. Hightower*

Treasurer *A. Max Maley*

Director of Operations *Craig Strohacker*



Introductory Section



TRI-VALLEY LOCAL SCHOOL DISTRICT

Comprehensive Annual Financial Report
Table of Contents
For the Fiscal Year Ended June 30, 2004

I—Introductory Section

Page

Table of Contents 7
Transmittal Letter 11
GFOA Certificate of Achievement..... 16
Board of Education 17
Organizational Chart 18

II—Financial Section

Independent Accountant's Report 21

Management's Discussion and Analysis 23

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Assets 31
Statement of Activities 32

Fund Financial Statements

Balance Sheet—Governmental Funds 34
Reconciliation of Total Governmental Fund Balances to Net Assets
of Governmental Activities 35
Statement of Revenues, Expenditures, and Changes in
Fund Balances—Governmental Funds 36
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement
of Activities 37
Statement of Revenues, Expenditures, and Changes in
Fund Balance—Budget (Non-GAAP Basis) and Actual—
General Fund 38
Statement of Fund Net Assets—Proprietary Fund 40
Statement of Revenues, Expenses, and Changes in Fund
Net Assets—Proprietary Fund 41
Statement of Cash Flows—Proprietary Fund 42
Statement of Fiduciary Net Assets—Fiduciary Fund 43

(Continued)

TRI-VALLEY LOCAL SCHOOL DISTRICT

Comprehensive Annual Financial Report
Table of Contents (Continued)
For the Fiscal Year Ended June 30, 2004

Statement of Changes in Fiduciary Net Assets—Fiduciary Fund 44

Notes to the Basic Financial Statements 45

Combining Statements—Nonmajor Governmental Funds

Fund Descriptions 72

Combining Balance Sheet—Nonmajor Governmental Funds 74

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances—Nonmajor Governmental Funds 75

Combining Balance Sheet—Nonmajor Special Revenue Funds 76

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances—Nonmajor Special Revenue Funds 78

**Statement of Changes in Assets and
Liabilities—Agency Fund 80**

**Individual Fund Schedules of Revenues, Expenditures/Expenses and
Changes in Fund Balances—Budget (Non-GAAP Basis) and Actual**

Major Funds:

General Fund 82

Permanent Improvement Fund 87

Building Fund 88

Nonmajor Funds:

Local Fund 89

State Fund 92

IDEA (Part B) 94

Title I 95

Federal Fund 96

Food Service Fund 98

Debt Service Fund 99

State Funded Technology Projects Fund 100

Self-Insurance Fund 101

(Continued)

**Comprehensive Annual Financial Report
Table of Contents (Continued)
For the Fiscal Year Ended June 30, 2004**

III—Statistical Section

<u>Table</u>	<u>Page</u>
1. Governmental Expenditures by Function— Last Ten Fiscal Years	S - 1
2. Governmental Fund Revenues by Source — Last Ten Fiscal Years	S - 2
3. Property Tax Levies and Collections— Last Ten Years	S - 3
4. Assessed and Estimated Actual Values of Taxable Property—Last Ten Years	S - 4
5. Property Tax Rates—Direct and All Overlapping Governments Last Ten Years	S - 5
6. Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita—Last Ten Years	S - 6
7. Computation of Legal Debt Margin	S - 7
8. Computation of Direct and Overlapping Net General Obligation Debt	S - 8
9. Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Fund Expenditures—Last Ten Fiscal Years	S - 9
10. Assessed Real Property Values, New Construction and Bank Deposits—Last Ten Years	S - 10
11. Demographic Statistics—Last Ten Years	S - 11
12. Principal Property Taxpayers	S - 12
13. Enrollment Statistics—Last Ten Fiscal Years	S - 13
14. Teacher Education and Experience	S - 14

This Page Intentionally Left Blank



Administrative Center

TRI-VALLEY LOCAL SCHOOLS

36 E. MUSKINGUM AVENUE

P.O. BOX 125

DRESDEN, OHIO 43821

740-754-1572 • Fax 740-754-6400

*Douglas Spade
Superintendent
(740) 754-1572*

*Marshall Hightower
Asst. Superintendent
(740) 754-1572*

*Craig Strnhacker
Director of Operations
(740) 754-1442*

*Max Maley
Treasurer
(740) 754-1321*

December 17, 2004

Board of Education Members and Residents of Tri-Valley Local School District

We are pleased to submit Tri-Valley Local School District's twelfth Comprehensive Annual Financial Report (CAFR). This report fully discloses the financial operations of the District for the fiscal year ended June 30, 2004. This CAFR includes an opinion from the Auditor of State of Ohio and conforms to generally accepted accounting principles as applicable to governmental entities. Responsibility for the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School District. This report will provide taxpayers of the Tri-Valley Local School District with comprehensive financial data in a format that enables them to gain a clearer understanding of the School District's finances.

The Comprehensive Annual Financial Report is presented in three sections: an Introductory Section, a Financial Section, and a Statistical Section. The Introductory Section includes the table of contents, this transmittal letter, the School District's organizational chart, a list of elected officials, and the Government Finance Officers Association Certificate of Achievement. The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis, basic financial statements and the combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Reporting Entity

The School District has reviewed its reporting entity definition in order to ensure conformance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." In evaluating how to define the School District for financial reporting purposes, management has considered all agencies, departments, and organizations making up the District (the primary government) and its potential component units.

The School District provides a wide range of education and support services as mandated by state statute or public desires. These include regular and vocational instruction, special instructional programs, student guidance services, extracurricular activities, and food service operations.

Economic Condition and Outlook

State revenues have been less than expected. The Supreme Court decision has left us with the State's remedy of school funding, which includes less than cost-of-business increases for the upcoming fiscal year. The District's 5-year forecast still projects a positive cash position through fiscal year 2008.

Student populations have increased slightly the past 3 years. Staff levels have increased slightly to meet the needs of increased student population.

Major Initiatives

Significant construction of a new middle school and high school additions occurred by the end of fiscal year 2004. The District is slated to open both locations for educational purposes on September 1, 2004. The initial evaluation of the addition of intervention programs and all-day every-day kindergarten was positive, showing improvements district-wide in reading. Technology continues to receive district support in the form of \$150,000 per year for its budget and additional temporary staffing as needed.

Financial Information

Basis of Accounting

The School District's accounting system is organized on a "fund" basis. Each fund is a distinct self-balancing accounting entity.

Accounting System and Budgetary Control

In developing the School District's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of the assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The School District utilizes a fully automated accounting system as well as an automated system for control for capital assets and payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensures that the financial information generated is both accurate and reliable.

The Board of Education adopts the annual budget for the School District in early January. All disbursements and transfers of cash between funds require appropriation authority from the Board. All purchase order requests must be approved by the Superintendent and the Treasurer. Necessary appropriations are then encumbered and purchase orders released to vendors. Those requests which exceed the available appropriation are rejected until additional funds are secured. The accounting system used by the School District currently provides interim financial statements which detail year-to-date expenditures and encumbrances versus the original appropriations and which are available for review prior to authorizing additional purchases.

In addition to interim financial statements, each administrator is currently furnished monthly reports showing the status of the accounts for which the administrator is responsible. The reports detail monthly transactions of revenues and expenditures.

The basis of accounting and the various funds utilized by Tri-Valley School District are fully described in Note 2 of the Notes to the Basic Financial Statements. Additional information on the School District's budgetary accounting can also be found in Note 2.

This is the third year the District has prepared financial statements following GASB 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments." GASB 34 created basic financial statements for reporting on the District's financial activities as follows:

- *Government-wide Financial Statements.* These statements are prepared on an accrual basis of accounting which is similar to the basis of accounting followed by many businesses. The government-wide statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.
- *Fund Financial Statements.* These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.
- *Statement of Budgetary Comparisons.* These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As part of this model, management is responsible for preparing a Management Discussion and Analysis of the District. This discussion follows the report of the State Auditors in the financial section of this report and provides an assessment of the District's finances for fiscal year 2004. Because that discussion focuses on major funds, other nonmajor funds are discussed briefly in this letter.

Financial Highlights

Internal Service Fund

The internal service fund carried on the financial records relates to self-insurance. This fund accounts for the revenues and expenses related to the provision of medical, prescription drug, and dental benefits to District employees. The internal service fund had unrestricted net assets of \$722,022 at June 30, 2004, compared with unrestricted net assets of \$473,798 at June 30, 2003, reflecting a net increase of \$248,224. The increase is due to lower claims paid out than expected during fiscal year 2004.

Fiduciary Fund

The trust fund carried on the financial records of the District is an investment trust fund that had net assets of \$0 at June 30, 2004. As of June 30, 2004 the District ceased to be fiscal agent for the Ohio Coalition and all assets were distributed accordingly.

Cash Management

The Board has an aggressive cash management program which consists of expediting the receipt of revenues and prudently depositing cash which is insured by the Federal Deposit Insurance Corporation as well as investing available cash in STAROhio, the State Treasurer's investment pool. The total amount of interest earned by all funds, including the investment trust fund, was \$172,044 for the year ended June 30, 2004, \$51,040 being credited directly to the general fund. This cash management program is beneficial because of access to daily balances which enables the Board to maintain minimum balance accounts and invest to the maximum extent.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The market value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Risk Management

The District operates and manages the hospital/medical health benefits, dental benefits, and prescription drug benefits for employees on a self-insured basis. A third party administrator processes and pays the claims. The health benefits liability is limited by reinsurance that caps the individual liability at \$75,000 per employee per year. The advantages of the self-insurance arrangement include the District's holding of the reserves and earning interest on them, as well as savings on administrative costs. The control of the plan is with the District.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program and pays the premium based on a rate per \$100 of salaries. The District contracts for general liability insurance, and in addition to the self-funded health benefits, also contracts for health insurance and for life insurance benefits.

Pension Plans

All District employees are covered by the state-wide School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System of Ohio (STRS). The District's employer contributions to both systems are based on a percentage of employee's salaries. State law requires the District to pay the employer share as determined by each retirement system. See Note 11 to the basic financial statements for complete details.

Independent Audit

Included in this report is an unqualified audit opinion rendered on the School District's financial statements as of June 30, 2004, by the Auditor of State. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133.

Tri-Valley Local School District plans to continue to subject financial statements to an annual independent audit as part of the preparation of a CAFR. An annual audit also serves to maintain and strengthen the School District's accounting and budgetary controls.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Tri-Valley Local School District for its comprehensive annual financial report for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our CAFR continues to conform to the Certificate of Achievement program requirements, and we are submitting our CAFR for the current year to GFOA.

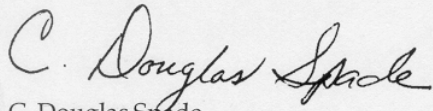
Acknowledgments

The publication of this report is the culmination of many hours of dedicated work in the research, analysis, and preparation of the financial statements and the accompanying notes and narratives by the Treasurer's Office of the Tri-Valley Local School District.

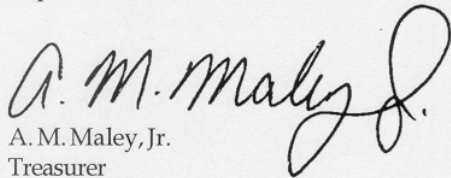
Effort put forth by the various administrators and their staffs in compiling the data needed for the report is greatly appreciated. Special recognition is given to Barb Gebbie for the data entry and desktop publishing of this report. Her contribution was essential to the completion of the District's CAFR.

A final note of appreciation is extended to the Muskingum County Auditor's Office.

Sincerely,



C. Douglas Spade
Superintendent



A. M. Maley, Jr.
Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tri-Valley Local Schools,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zielle

President

Jeffrey R. Enos

Executive Director

Board of Education



President

P.J. Longstreth



Vice President

Carl Harlan



Member

Cindy Cameron



Member

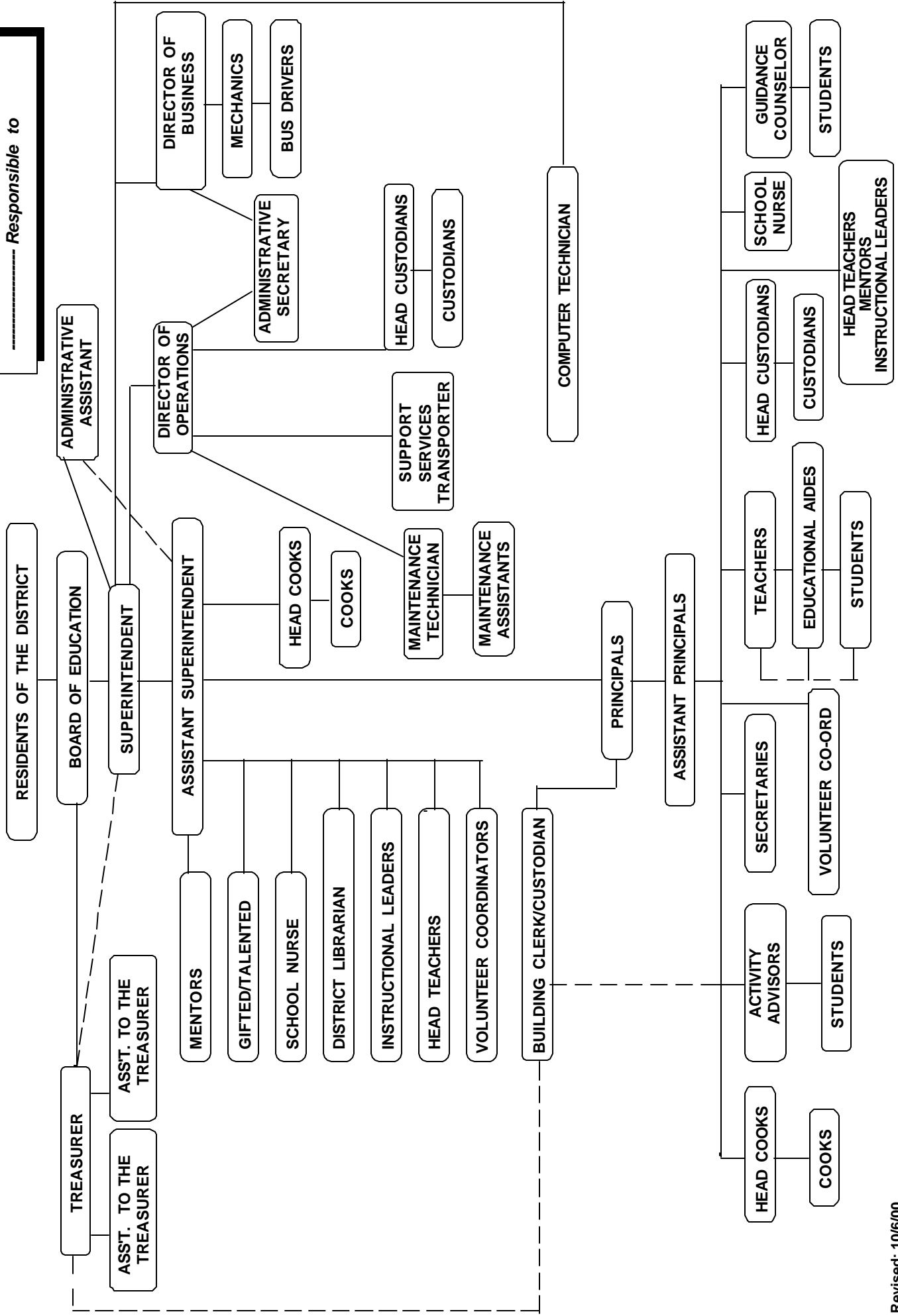
Terry Hutchison

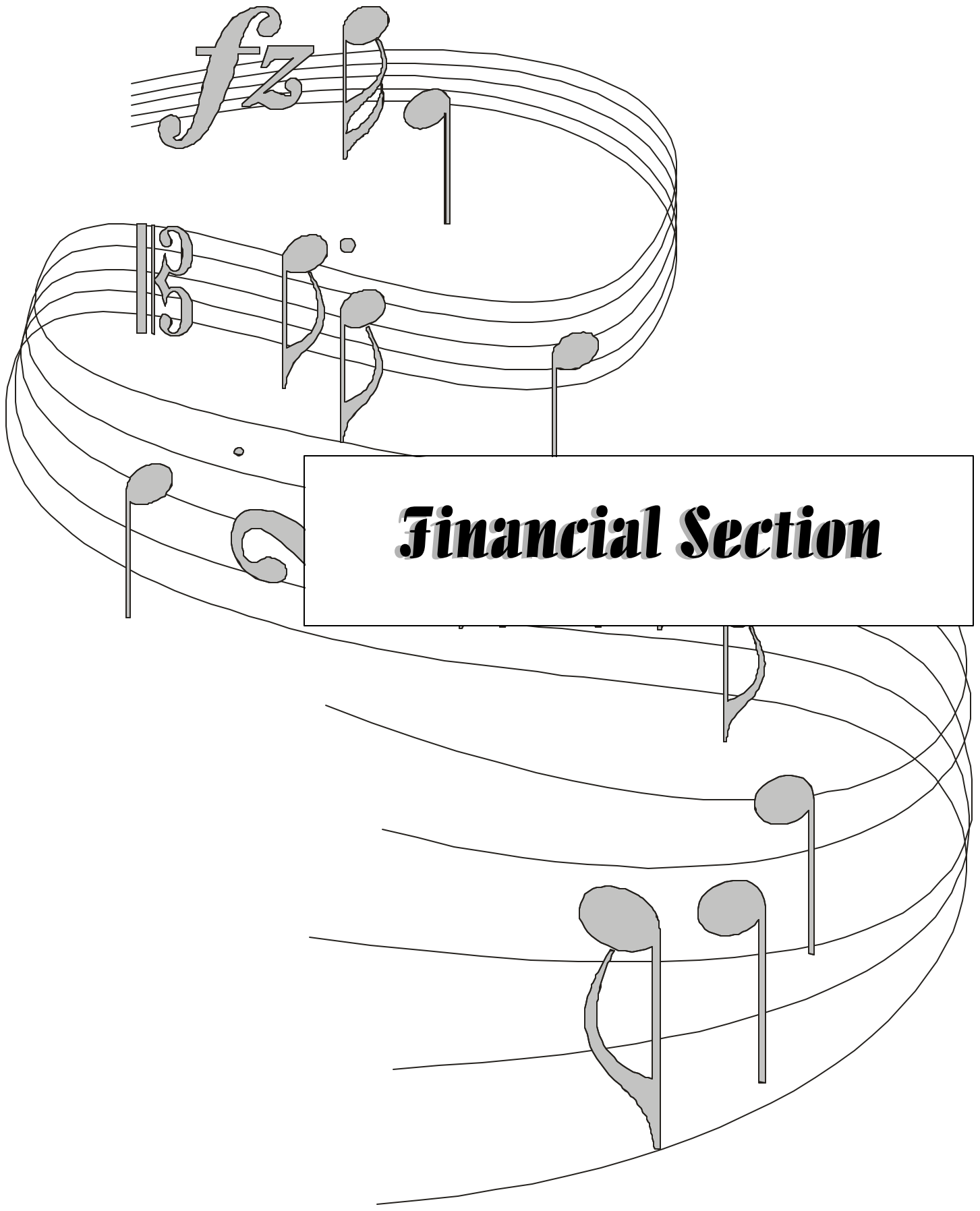


Member

Eva Sieber

Tri-Valley Local School District
ORGANIZATIONAL CHART
 _____ Directly Accountable
 ----- Responsible to





Financial Section



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Tri-Valley Local School District
Muskingum County
36 E. Muskingum Avenue
Dresden, Ohio 43821

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2004, on our consideration of the 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining nonmajor fund statements and schedules and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

Betty Montgomery
Auditor of State

December 17, 2004

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

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

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

- Net assets of governmental activities increased \$786,143 from fiscal year 2003.
- During fiscal year 2004 general revenues accounted for \$20,082,213 in revenue, an increase of \$1,908,436 over fiscal year 2003. General revenues account for 87 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$3,042,671, a decrease of \$256,814 from fiscal year 2003. Program specific revenues account for 13 percent of all revenues. All revenues for fiscal year 2004 were \$23,124,884.
- Total assets of governmental activities increased \$3,660,027 from fiscal year 2003, primarily due to increases in capital assets, which was comprised of mostly construction in progress which was offset by decreases in current assets.
- The District had \$22,338,741 in expenses related to governmental activities during fiscal year 2004, an increase of \$398,233 from fiscal year 2003; only \$3,042,671 of these expenses were offset by program specific revenues. General revenues of \$20,082,213 were adequate to provide for these programs.
- The general fund, one of the major funds, had \$19,459,987 in revenues and \$19,784,525 in expenditures. The general fund's balance decreased in total by \$749,047 for fiscal year 2004 from 2003.
- The building fund, one of the other major funds, had (\$50,128) in revenues due from decreases in the fair value of investments during fiscal year 2004, and \$15,516,412 in expenditures. The building fund's balance decreased by \$15,566,540 for fiscal year 2004 from 2003.
- The permanent improvement fund, one of the other major funds, had \$500,000 in transfers from the general fund and \$8,516 in expenditures. The permanent improvement fund's balance increased by \$491,484 for fiscal year 2004 from 2003.

Using This Comprehensive Annual Financial Report (CAFR)

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

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

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

Reporting the District as a Whole

Statement of Net Assets* and *the Statement of Activities

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

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

In the Statement of Net Assets and the Statement of Activities, the District has one kind of activity.

- *Governmental Activities.* All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 30. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the building fund and the permanent improvement fund.

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

Proprietary Funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The District only has an internal service proprietary fund which is combined in governmental activities on a full accrual basis.

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

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2004 compared to 2003.

**Table 1
Net Assets**

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$20,077,267	\$32,195,197
Capital Assets	26,890,543	11,112,586
Total Assets	\$46,967,810	\$43,307,783
Liabilities		
Long-Term Liabilities	(\$19,270,613)	(\$19,591,775)
Other Liabilities	(11,753,218)	(8,558,172)
Total Liabilities	(\$31,023,831)	(\$28,149,947)
Net Assets		
Invested in Capital		
Assets Net of Debt	\$8,955,461	\$9,159,338
Restricted	1,257,403	2,593,732
Unrestricted	5,731,115	3,404,766
Total Net Assets	\$15,943,979	\$15,157,836

Total assets and total liabilities increased \$3,660,027 and \$2,548,583, respectively, due largely to the passage of a bond issue for construction and improvement of District facilities.

Total net assets increased \$1,111,444, due primarily to the reduction of contracts payable and the addition of construction in progress relating to the construction and renovation of facilities.

Table 2 shows the changes in net assets for fiscal year 2004 compared to 2003.

TRI-VALLEY LOCAL SCHOOL DISTRICT

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

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2004	2003
Revenues		
Program Revenues:		
Charges for Services	\$953,051	\$955,683
Operating Grants	2,052,621	2,270,418
Capital Grants	36,999	73,384
	3,042,671	3,299,485
General Revenues:		
Property Taxes	7,763,688	6,938,700
Grants and Entitlements	12,181,983	10,610,090
Other	136,542	624,987
	20,082,213	18,173,777
Total Revenues	\$23,124,884	\$21,473,262
Program Expenses		
Instruction	\$12,568,016	\$12,162,953
Support Services:		
Pupil and Instructional Staff	1,485,207	1,272,233
Board of Education, Administration, Fiscal, and Business	3,061,345	2,928,591
Operation and Maintenance of Plant	1,499,197	1,871,466
Pupil Transportation	1,253,980	1,374,481
Central	307,664	191,196
Operation of Non-Instructional Services	10,442	37,120
Food Service Operations	1,033,774	913,905
Extracurricular Activities	216,966	228,643
Interest, Fiscal, and Bond Issuance Charges	902,150	959,920
Total Expenses	\$22,338,741	\$21,940,508
Increase (Decrease) in Net Assets	786,143	(\$467,246)

Economic Factors

The District last passed an operating levy in 1988. The 5.9 mill levy, along with a steady increase in new construction, has allowed the District administration to operate without the need to request additional millage. Staff raises during this period of time have averaged slightly more than 3 percent per year and staffing levels have increased nearly 42 percent, from 143 to 203 teachers. Student enrollment increased from 2883 to 3149, approximately 9 percent for the same period, reflecting the District's commitment to lowering student-teacher ratios.

During fiscal year 2002, the District passed a bond issue for school facility construction and improvement. It was part of an Expedited Local Partnership Plan in which the District will build a new middle school and improve the high school during phase one and build four new elementaries in phase two. Phase one construction began in fiscal year 2003 and

TRI-VALLEY LOCAL SCHOOL DISTRICT

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

will be funded by the bond issue passed by voters in November 2001, with bonds being issued March 18, 2002.

The \$18,500,000 bond issue will be the local portion the District is responsible for. During phase two the State of Ohio will provide the funding necessary to build the four new elementaries. The District has been notified from the State that it is on the list of the next ten districts to be served during fiscal year 2006. A new assessment will be done by the State and the dollar allocation will be adjusted by the student enrollment at that time. Current assessments indicate that the State's portion will be approximately \$47 million.

Governmental Activities

Tri-Valley Local School District relies on taxes for approximately 34 percent of the District's total revenue. This ratio has remained constant throughout the past three years. Operating grants decreased \$217,797 due to decreases in parity aid and state foundation.

Instruction comprises approximately 56 percent of governmental program expenses. Interest expense was 4 percent. Interest expense was attributable to the outstanding asbestos loan note, bond anticipation notes, and general obligation bonds.

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

**Table 3
Governmental Activities**

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$12,568,016	\$11,113,484	\$12,168,278	\$10,274,054
Support Services:				
Pupil and Instructional Staff	1,485,207	1,212,258	1,272,233	1,196,630
Board of Education, Business Administration, and Fiscal	3,061,345	3,061,345	2,928,591	2,840,864
Operation and Maintenance of Plant	1,499,197	1,498,102	1,871,466	1,859,716
Pupil Transportation	1,253,980	1,216,981	1,374,481	1,301,097
Central	307,664	307,664	191,196	178,175
Operation of Non-Instructional Services	10,442	10,442	37,120	13,609
Food Service Operations	1,033,774	58,852	913,905	41,034
Extracurricular Activities	216,966	(85,208)	228,643	(18,751)
Interest and Fiscal Charges	902,150	902,150	959,920	959,920
Total Expenses	\$22,338,741	\$19,296,070	\$21,945,833	\$18,646,348

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Over 88 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87 percent.

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

The District's Funds

Information about the District's major funds starts on page 36. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,607,655, expenditures of \$38,712,762. The net change in fund balance for the year was most significant in the building fund, a decrease of \$15,566,540. The significant decrease was due to construction payments relating to a \$18,500,000 bond issue. The District remains stable in spite of the decrease in fund balance.

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the District amended its general fund budget as needed, none significant. The District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures plus encumbrances during the fiscal year.

For the general fund, budgetary basis revenue was \$179,303 above original budget estimates of \$19,075,000. The difference was mostly due to a larger intergovernmental increase than expected. The original appropriations were adjusted to stay within statutory limits.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$26,890,543 invested in land, buildings, furniture, equipment, and vehicles, of which all was in governmental activities. Table 4 shows fiscal 2004 balances compared to 2003.

**(Table 4)
Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$807,422	\$297,045
Construction in Progress	18,734,792	\$3,179,555
Buildings and Improvements	6,177,442	6,499,286
Furniture and Equipment	490,202	506,007
Vehicles	680,685	630,693
Totals	\$26,890,543	\$11,112,586

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

There was a significant change in capital assets during fiscal year 2004 due to construction in progress, which increased by \$15,555,237. (See Note 8 for additional information regarding capital assets.)

Debt

At June 30, 2004, the District had \$18,146,160 in bonds and notes outstanding, \$328,053 due within one year. Table 5 summarizes bonds and notes outstanding.

**(Table 5)
Outstanding Debt at Year End**

	Governmental Activities	
	2004	2003
2002 General Obligation Bonds	\$18,126,767	\$18,367,272
1989 Asbestos Loan Notes	19,393	27,446
Totals	\$18,146,160	\$18,394,718

The 2002 General Obligation Bonds were issued for school facilities construction and improvements. The bonds will be fully repaid by fiscal year 2030.

The 1989 asbestos loan note was issued for asbestos abatement district wide. It is to be fully repaid by 2007 from the debt service fund. (See Note 14 for additional information regarding debt.)

For the Future

Since Tri-Valley passed its last operating levy in 1988, it has experienced steady growth in its tax base. New construction, both residential and business, along with substantial increases in State support, have allowed the District to stay off the ballot for new operating issues. During this period of economic prosperity, the Board of Education has had the opportunity to transfer money into its permanent improvement fund to fund future building projects and maintain a budget reserve within its general fund. At the close of fiscal year 2004, the permanent improvement fund had a fund balance of \$2,025,953 and the budget reserve had \$76,359 as balances.

The healthy financial status of the District allowed the School Board to decrease the millage requested in its passage of a 4.99 mill bond issue. Without the ability to pledge over \$3,000,000 from future reserves, the millage necessary would have been in excess of a sizeable 6 mills, making it more difficult to win voter support. Having passed the school facilities construction and improvement levy on November 6, 2001, the District sold bonds in the face amount of \$18,500,000 on March 18, 2002, to finance phase one of the project. The first phase of the Expedited Local Partnership Plan requires the District to spend its share (28%) of the \$64,500,000 total necessary to complete phase one and two. The District will build and furnish one new middle school and make improvements to its high school during phase one of the comprehensive facility agreement with the State. Phase two calls for the building of four new elementaries with state dollars rather than local monies. The District will be eligible for the State's share during fiscal year 2006.

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

Recent program additions of a district-wide intervention program and an all-day, every-day kindergarten, at a cost of nearly \$700,000, are expected to aid the District in its continuing effort for academic improvements.

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

Tri-Valley Local School District has committed itself to the highest standards of financial excellence for many years. The District has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting since 1993.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact A. Max Maley, Treasurer at Tri-Valley Local School District, 36 E. Muskingum Avenue, Dresden, Ohio 43821 or e-mail at mmaley@tri-valley.k12.oh.us.

TRI-V ALLEY LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$9,055,340
Intergovernmental Receivable	128,459
Materials and Supplies Inventory	94,108
Prepaid Items	45,379
Property Taxes Receivable	8,089,927
Cash and Cash Equivalents	
With Escrow Agents	2,579,864
Deferred Charges	84,190
Nondepreciable Capital Assets	19,542,214
Depreciable Capital Assets, Net	7,348,329
Total Assets	\$46,967,810
Liabilities:	
Accounts Payable	\$276,181
Accrued Wages and Benefits	2,269,657
Intergovernmental Payable	340,422
Accrued Interest Payable	44,347
Contracts Payable	1,099,762
Retainage Payable	2,579,864
Claims Payable	145,816
Deferred Revenue	4,997,169
Long-Term Liabilities:	
Due Within One Year	477,105
Due in More Than One Year	18,793,508
Total Liabilities	\$31,023,831
Net Assets:	
Invested in Capital Assets, Net of Related Debt	\$8,955,461
Restricted for:	
Capital Projects	260,128
Debt Service	690,967
Other Purposes	306,308
Unrestricted	5,731,115
Total Net Assets	\$15,943,979

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

Statement of Activities
For the Fiscal Year Ended June 30,2004

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$10,587,488	\$33,481	\$229,662	\$ 0
Special	1,610,889	0	1,128,936	0
Vocational	369,639	0	62,453	0
Support Services:				
Pupils	669,071	0	272,949	0
Instructional Staff	816,136	0	0	0
Board of Education	624,913	0	0	0
Administration	2,003,503	0	0	0
Fiscal	398,331	0	0	0
Business	34,598	0	0	0
Operation and Maintenance of Plant	1,499,197	1,095	0	0
Pupil Transportation	1,253,980	0	0	36,999
Central	307,664	0	0	0
Operation of Non-Instructional Services	10,442	0	0	0
Food Service Operations	1,033,774	616,301	358,621	0
Extracurricular Activities	216,966	302,174	0	0
Interest	902,150	0	0	0
Total Governmental Activities	\$22,338,741	\$953,051	\$2,052,621	\$36,999
General Revenues				
Property Taxes Levied for:				
General Purposes				
Building Maintenance				
Debt Service				
Grants and Entitlements not Restricted to Specific Programs				
Investment Earnings				
Decrease in Fair Value				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets at Beginning of Year-Restated (Note 3)				
Net Assets at End of Year				

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Net (Expense) Revenue
and Changes in Net Assets**

**Total
Governmental Activities**

(\$10,324,345)
(481,953)
(307,186)

(396,122)
(816,136)
(624,913)
(2,003,503)
(398,331)
(34,598)

(1,498,102)
(1,216,981)
(307,664)
(10,442)
(58,852)
85,208
(902,150)

(\$19,296,070)

6,402,350
130,772
1,230,566
12,181,983
171,272
(169,515)
134,785

\$20,082,213

786,143

15,157,836

\$15,943,979

TRI-VALLEY LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2004

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,471,100	\$2,029,469	\$1,359,890	\$1,198,193
Receivables:				
Taxes	6,670,473	0	0	1,419,454
Intergovernmental	0	0	0	128,459
Prepaid Items	44,340	0	0	1,039
Materials and Supplies Inventory	79,351	0	0	14,757
Restricted Assets:				
Cash and Cash Equivalents with Escrow Agents	0	0	2,579,864	0
Cash and Cash Equivalents	76,359	0	0	0
Total Assets	\$10,341,623	\$2,029,469	\$3,939,754	\$2,761,902
Liabilities and Fund Equity:				
Liabilities:				
Accounts Payable	\$185,438	\$3,516	\$ 0	\$34,736
Contracts Payable	0	0	1,099,762	0
Accrued Wages and Benefits	2,225,259	0	0	44,398
Retainage Payable	0	0	2,579,864	0
Intergovernmental Payable	161,295	0	0	11,810
Deferred Revenue	4,444,129	0	0	918,457
Total Liabilities	\$7,016,121	\$3,516	\$3,679,626	\$1,009,401
Fund Equity				
Fund Balances:				
Reserved for Encumbrances	\$402,415	\$600,752	\$260,128	\$47,633
Reserved for Budget Stabilization	76,359	0	0	0
Reserved for Property Taxes	2,226,344	0	0	500,997
Unreserved:				
Undesignated reported in:				
General Fund	620,384	0	0	0
Special Revenue Funds	0	0	0	767,908
Debt Service Fund	0	0	0	435,963
Capital Projects Funds	0	1,425,201	0	0
Total Fund Equity	\$3,325,502	\$2,025,953	\$260,128	\$1,752,501
Total Liabilities and Fund Equity	\$10,341,623	\$2,029,469	\$3,939,754	\$2,761,902

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2004**

	Total Governmental Fund Balances	\$7,364,084
Total Governmental Funds	<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$8,058,652	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$26,890,543
8,089,927	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
128,459	Taxes	\$365,417
45,379	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	722,022
94,108		
2,579,864	Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements.	84,190
76,359		
\$19,072,748	Intergovernmental payable includes contractually required pension contributions not expected to be paid with available resources and, therefore, are not reported in the funds.	(167,317)
\$223,690	Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	
1,099,762	General Obligation Bonds	\$18,126,767
2,269,657	Compensated Absences	1,041,521
2,579,864	Accrued Interest Payable	44,347
173,105	Asbestos Loan	19,393
5,362,586	Capital Leases	82,932
\$11,708,664	Total	(19,314,960)
\$1,310,928	<i>Net Assets of Governmental Activities</i>	<u>\$15,943,979</u>
76,359		
2,727,341		
620,384		
767,908		
435,963		
1,425,201		
\$7,364,084		
\$19,072,748		

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds**

For the Fiscal Year Ended June 30,2004

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$6,361,431	\$0	\$0	\$1,347,545	\$7,708,976
Intergovernmental	12,837,157	0	0	1,971,929	14,809,086
Interest	51,040	0	119,387	845	171,272
Decrease in Fair Value of Investments	0	0	(169,515)	0	(169,515)
Tuition and Fees	33,481	0	0	0	33,481
Extracurricular Activities	75,205	0	0	226,969	302,174
Charges for Services	0	0	0	616,301	616,301
Miscellaneous	101,673	0	0	34,207	135,880
Total Revenues	\$19,459,987	\$0	(\$50,128)	\$4,197,796	\$23,607,655
Expenditures:					
Current:					
Instruction:					
Regular	\$10,374,545	\$0	\$ 0	\$399,800	\$10,774,345
Special	1,340,499	0	0	257,280	1,597,779
Vocational	334,308	0	0	0	334,308
Support Services:					
Pupils	453,359	0	0	211,022	664,381
Instructional Staff	772,373	0	0	35,101	807,474
Board of Education	597,370	0	0	26,946	624,316
Administration	1,930,751	0	0	62,216	1,992,967
Fiscal	398,025	0	0	0	398,025
Business	34,598	0	0	0	34,598
Operation and Maintenance of Plant	1,509,945	0	0	15,666	1,525,611
Pupil Transportation	1,424,223	0	0	26,651	1,450,874
Central	257,326	0	0	42,865	300,191
Operation of Non-Instructional Services	0	0	0	10,442	10,442
Food Service Operations	0	0	0	1,013,153	1,013,153
Extracurricular Activities	35,629	0	0	142,534	178,163
Capital Outlay	279,593	8,516	15,516,412	0	15,804,521
Debt Service:					
Principal	34,359	0	0	243,053	277,412
Interest and Fiscal Charges	7,622	0	0	916,580	924,202
Total Expenditures	\$19,784,525	\$8,516	\$15,516,412	\$3,403,309	\$38,712,762
Excess of Revenues Over(Under) Expenses	(324,538)	(8,516)	(15,566,540)	794,487	(15,105,107)
Other Financing Sources (Uses):					
Transfers In	23,417	500,000	0	0	523,417
Inception of Capital Lease	7,074	0	0	0	7,074
Transfers Out	(500,000)	0	0	(23,417)	(523,417)
Total Other Financing Sources (Uses)	(469,509)	500,000	0	(23,417)	7,074
Net Change in Fund Balances	(794,047)	491,484	(15,566,540)	771,070	(15,098,033)
Fund Balances at Beginning of Year	4,119,549	1,534,469	15,826,668	981,431	22,462,117
Fund Balances at End of Year	\$3,325,502	\$2,025,953	\$260,128	\$1,752,501	\$7,364,084

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

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

Net Change in Fund Balances - Total Governmental Funds		(\$15,098,033)
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Assets Additions	\$16,375,440	
Current Year Depreciation	<u>(596,973)</u>	
Total		15,778,467
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities a gain or loss is reported for each disposal.		
Loss on Disposal of Capital Assets		(510)
Inception of capital leases are reported as other financing sources in the governmental funds but the inception increases long term liabilities on the statement of activities.		
		(7,074)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.		
Taxes	\$54,712	
Intergovernmental	<u>(537,483)</u>	
Total Revenues		(482,771)
Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Asbestos Loan	\$8,053	
Capital Leases	34,359	
General Obligation Bonds	<u>235,000</u>	
Total		277,412
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. The amortization of premiums and discounts are reported on the statement of activities:		
Discount Amortization	(\$2,643)	
Premium Amortization	8,148	
Accrued Interest Payable	<u>19,816</u>	
Total		25,321
Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred and amortized on the statement of activities:		
Issuance Costs		(3,269)
Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Intergovernmental Payable	\$3,057	
Compensated Absences Payable	<u>45,319</u>	
Total		48,376
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.		
		<u>248,224</u>
Change in Net Assets of Governmental Activities		<u><u>\$786,143</u></u>

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and Changes
In Fund Balance—Budget (Non-GAAP Basis) and Actual
General Fund**

For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Taxes	\$6,200,000	\$6,155,747	\$6,155,747	\$0
Intergovernmental	12,650,000	12,837,157	12,837,157	0
Interest	100,000	43,858	51,040	7,182
Tuition and Fees	2,000	33,481	33,481	0
Extracurricular Activities	25,000	75,205	75,205	0
Rentals	0	1,095	1,095	0
Miscellaneous	98,000	100,507	100,578	71
Total Revenues	\$19,075,000	\$19,247,050	\$19,254,303	\$7,253
Expenditures				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	\$9,707,241	\$10,388,660	\$10,388,664	(\$4)
Special	1,782,730	1,491,943	1,438,363	53,580
Vocational	386,617	361,108	361,107	1
Other	15,476	5,199	5,199	0
<i>Support Services:</i>				
Pupil	526,614	465,286	465,287	(1)
Instructional Staff	774,875	783,686	783,688	(2)
Board of Education	636,634	646,456	646,897	(441)
Administration	1,949,871	1,983,253	1,983,250	3
Fiscal	409,309	398,469	398,656	(187)
Business	18,720	32,960	32,960	0
Operation and Maintenance of Plant	1,547,843	1,563,221	1,563,834	(613)
Pupil Transportation	1,483,149	1,486,095	1,485,743	352
Central	155,060	282,644	282,734	(90)
Extracurricular Activities	35,971	38,766	38,766	0
Capital Outlay	407,827	360,327	310,497	49,830
Total Expenditures	\$19,837,937	\$20,288,073	\$20,185,645	\$102,428
Excess of Revenues Under Expenditures	(\$762,937)	(\$1,041,023)	(\$931,342)	\$109,681

(Continued)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and Changes
In Fund Balance—Budget (Non-GAAP Basis) and Actual
General Fund (Continued)**

For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<i>Other Financing Sources (Uses):</i>				
Transfers In	\$0	\$23,417	\$23,417	\$ 0
Transfers Out	0	(500,000)	(500,000)	0
<i>Total Other Financing Sources (Uses)</i>	\$0	(\$476,583)	(\$476,583)	\$ 0
Net Change in Fund Balance	(\$762,937)	(\$1,517,606)	(\$1,407,925)	\$109,681
Fund Balance at Beginning of Year	3,685,558	3,685,558	3,685,558	0
Prior Year Encumbrances Appropriated	666,352	666,352	666,352	0
<i>Fund Balance at End of Year</i>	\$3,588,973	\$2,834,304	\$2,943,985	\$109,681

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Statement of Fund Net Assets
Proprietary Fund**

June 30, 2004

	Governmental Activity - Internal Service Fund
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$920,329
<i>Total Current Assets</i>	\$920,329
<i>Current Liabilities:</i>	
Accounts Payable	\$52,491
Claims Payable	145,816
<i>Total Current Liabilities</i>	\$198,307
<i>Net Assets:</i>	
Unrestricted	\$722,022
<i>Total Net Assets</i>	\$722,022

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Fund**
For the Fiscal Year Ended June 30, 2004

	Governmental Activity - Internal Service Fund
<i>Operating Revenues:</i>	
Charges for Services	\$2,439,466
<i>Total Operating Revenues</i>	\$2,439,466
<i>Operating Expenses:</i>	
Purchased Services	\$213,048
Claims	1,978,194
<i>Total Operating Expenses</i>	\$2,191,242
Operating Income	\$248,224
Net Assets at Beginning of Year-Restated (Note 3)	473,798
<i>Net Assets at End of Year</i>	\$722,022

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2004

**Governmental Activity -
Internal Service Fund**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from	
Transactions with Other Funds	\$2,566,666
Cash Payments for Services	(216,083)
Cash Payments for Claims	(1,989,933)
<hr/>	
<i>Net Cash Provided By Operating Activities</i>	\$360,650
<hr/>	
Net Increase in Cash and Cash Equivalents	\$360,650
Cash and Cash Equivalents at Beginning of Year	559,679
<hr/>	
<i>Cash and Cash Equivalents at End of Year</i>	\$920,329
<hr/> <hr/>	

**Reconciliation of Operating Income to
Net Cash Provided By Operating Activities**

<i>Operating Income</i>	\$248,224
<i>Changes in Assets and Liabilities:</i>	
Decrease in Interfund Receivable	\$127,200
Decrease in Accounts Payable	(3,035)
Decrease in Claims Payable	(11,739)
<hr/>	
<i>Total Adjustments</i>	\$112,426
<hr/>	
<i>Net Cash Provided By Operating Activities</i>	\$360,650
<hr/> <hr/>	

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$87,452
<hr/>	
<i>Total Assets</i>	\$87,452
<hr/>	
Liabilities	
Due to Students	\$87,452
<hr/>	
<i>Total Liabilities</i>	\$87,452
<hr/>	

TRI-VALLEY LOCAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2004

	Investment Trust Fund
	Coalition
<i>Additions:</i>	
Interest	\$772
<i>Deductions:</i>	
Distributions to Participants	(\$156,079)
Changes in Net Assets	(\$155,307)
Net Assets at Beginning of Year	\$155,307
<i>Net Assets at End of Year</i>	\$0

See accompanying notes to the basic financial statements.

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

Note 1—Description of the School District and Reporting Entity

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

The District was established in 1966. The District serves an area of approximately 230 square miles. It is located in Muskingum and Coshocton Counties and includes all of Adams, Jefferson, Salem, Jackson, Muskingum, and Madison Townships. Only a portion of Licking, Virginia, and Washington Townships are included. The District is the 155th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 125 classified employees, 203 certified teaching personnel, and 16 administrative employees who provide services to 3,149 students and other community members. The District currently operates 13 instructional/support buildings.

Reporting Entity

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

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

The District participates in the Licking Area Computer Association (LACA), the Mid-East Ohio Career and Technology Center, and the East Central Ohio Special Education Regional Resource Center (ECOSERRC), which are defined as jointly governed organizations and the Ohio School Boards Association Workers’ Compensation Group Rating Plan, which is defined as a public entity risk pool. Additional information concerning these organizations is presented in Note 18.

Note 2—Summary of Significant Accounting Policies

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

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

Note 2—Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements. The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

Fund Financial Statements. During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

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

General Fund. The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Permanent Improvement Fund. This fund accounts for the acquisition, construction, or improvement of capital facilities.

Building Fund. The building fund is used to account for the receipts and expenditures related to the construction and renovations of facilities of the District being financed through bonds.

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

Note 2—Summary of Significant Accounting Policies (Continued)

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

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

Internal Service Fund. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund accounts for the operation of the District's self-insurance program for employee medical, vision, prescription drug, and dental claims.

Fiduciary Fund Type. Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications; pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is an investment trust fund that accounts for all fiscal activities of the "Ohio Coalition for Equity and Adequacy of School Funding." Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only agency fund accounts for student managed activities.

C. Measurement Focus

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

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

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

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

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

Note 2—Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 District, available means expected to be received within 60 days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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, interest, tuition, grants, fees, and rentals.

Deferred Revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

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

Note 2—Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During the fiscal year 2004, investments were limited to Federal Home Loan Bank Notes, Money Market Mutual Funds, Federal National Mortgage Association Notes, and STAROhio.

Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2004. STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$51,040.

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 District are presented on the financial statement as cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. The District reports the change in fair value of investments. The calculation of realized gains/losses is independent of the calculation of the change in the fair value of investments. The realized gains/losses of the current period include unrealized amounts from prior periods.

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors grantors, or laws of other government or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents restricted for retainage payments required by State statute to be set aside to create a reserve for budget stabilization. See Note 19 for additional information regarding set asides.

G. Prepaid Items

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

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventory consists of expendable supplies held for consumption, donated food, purchased food, and school supplies.

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

Note 2—Summary of Significant Accounting Policies (Continued)

I. Capital Assets

The District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land Improvements	30 years
Buildings and Improvements	10–30 years
Furniture and Equipment	5–10 years
Vehicles	5–9 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

K. 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 employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rate at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees within ten years of retirement.

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

Note 2—Summary of Significant Accounting Policies (Continued)

L. Accrued Liabilities and Long-term Obligations

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

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

M. Unamortized Issuance Costs/Bond Premium and Discount

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs, bond premium and discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

On the governmental fund financial statements, governmental fund types recognize issuance costs, bond premiums and bond discounts in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. No debt was issued during fiscal year 2004.

N. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

O. Fund Balance Reserves

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

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

Note 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 appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include amounts restricted for grants.

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as nonoperating.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. No such items were reported for fiscal year 2004.

S. Estimates

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

T. Budgetary Data

All funds, other than the investment trust fund and agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level and the authority to allocate at the function/object level is delegated to the District's Treasurer.

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

Note 2—Summary of Significant Accounting Policies (Continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement represent the amounts in the amended official certificate of estimated resources in place at the time original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended official certificate of estimated resources in effect at the time the final appropriations were adopted by the Board.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures plus encumbrances during the fiscal year.

Note 3—Restatement of Prior Year Fund Equity

The District has changed the method in which claims payable is calculated for the Self-Insurance Internal Service Fund. The District has begun to utilize actuarial estimates to record the District's claims payable as of June 30 each year.

The restatement resulted in the following changes to net assets and claims payable reported for the Governmental Activity - Internal Service Fund on the fund financial statements (Statement of Fund Net Assets and Statement of Revenues, Expenses and Changes in Fund Net Assets) and to the Governmental Activities on the District-wide financial statements (Statement of Net Assets and Statement of Activities) as of June 30, 2003:

	Governmental Activity - Internal Service Fund	Governmental Activities
Claims Payable June 30, 2003	\$482,856	\$482,856
Restatement	(325,301)	(325,301)
Claims Payable June 30, 2003 - Restated	\$157,555	\$157,555
Change in Net Assets for the Year Ended June 30, 2003	\$56,670	(\$472,571)
Restatement	5,325	5,325
Change in Net Assets for the Year Ended June 30, 2003 - Restated	\$61,995	(\$467,246)
Net Assets, June 30, 2003	\$148,497	\$14,832,535
Restatement	325,301	325,301
Net Assets, June 30, 2003 - Restated	\$473,798	\$15,157,836

For fiscal year 2004, the District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." This Statement further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity." There was no effect on the District's financial statements as a result of implementing GASB Statement 39.

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

Note 4—Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

- A. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP.)
- B. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP.)
- C. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP.)

The following table summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

GAAP Basis	(\$794,047)
Net Adjustment for Revenue Accruals	(212,758)
Net Adjustment for Expenditure Accruals	202,357
Adjustment for Encumbrances	(603,477)
Budget Basis	(\$1,407,925)

Note 5—Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

Note 5—Property Taxes (Continued)

The District receives property taxes from Muskingum and Coshocton counties. The county auditors periodically advance to the District its portion of the taxes collected. Second half real property tax payments collected by the county by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable include real property, public utility property, and tangible personal property taxes, which are measurable as of June 30, 2004, and for which there is an enforceable legal claim. Although total property tax collection for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$2,226,344 in the general fund, \$453,091 in the bond retirement fund, and \$47,906 in the miscellaneous local fund. The amount available as an advance at June 30, 2003, was \$2,020,660 in the general fund, \$416,853 in the bond retirement fund, and \$46,317 in the miscellaneous local fund.

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

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

	2003		2004	
	Second Half Collections		First Half Collections	
	Amount	%	Amount	%
Real Property	\$218,015,220	78.72%	\$238,248,100	80.60%
Public Utility Personal Property	25,689,070	9.28	24,355,410	8.24
Tangible Personal Property	33,242,720	12.00	32,975,398	11.16
Total Assessed Value	\$276,947,010	100.00%	\$ 295,578,908	100.00%
Tax Rate per \$1000 of Assessed Valuation	\$40.45		\$40.55	

Note 6—Deposits and Investments

State statutes classify monies held by the 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 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

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

Note 6—Deposits and Investments (Continued)

deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Note 6—Deposits and Investments (Continued)

Deposits. At fiscal year end, the carrying amount of the District’s deposits was \$10,561,039, and the bank balance was \$11,772,762. Of the bank balance:

1. The amount of \$201,335 was covered by federal depository insurance; and
2. The amount of \$11,571,427 was uninsured and uncollateralized. Although all State statutory requirements for the deposit money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments. The District’s investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District’s name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty’s trust department or an agent in the 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 District’s name. Investments in the STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Fair Value
Investment in State Treasurer’s Investment Pool (STAR Ohio)	1,161,617
Total	\$1,161,617

Investments in open-end mutual funds are not categorized by risk because they are not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB 9	\$11,722,656	\$ 0
Investment in State Treasurer’s Investment Pool (STAR Ohio)	(1,161,617)	1,161,617
GASB 3	\$10,561,039	\$1,161,617

TRI-VALLEY LOCAL SCHOOL DISTRICT

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

Note 7—Interfund Transactions

	Transfers In		
	Major Funds General	Permanent Improvements	Totals
Transfers Out:			
Major Fund:			
General	\$ 0	\$500,000	\$500,000
Other Nonmajor Governmental	23,417	0	23,417
 Totals	\$23,417	\$500,000	\$523,417

The interfund transfer into the permanent improvement fund represents the funding of future building projects.

The interfund transfer into the general fund was for expenditures made in prior years by the general fund that were reimbursed from capital project dollars.

TRI-VALLEY LOCAL SCHOOL DISTRICT

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

Note 8—Capital Assets

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

	Balance 6/30/03	Additions	Deductions	Balance 6/30/04
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$297,045	\$510,377	\$0	\$807,422
Construction in Progress	3,179,555	15,555,237	0	18,734,792
Total Capital Assets, not being depreciated:	\$3,476,600	\$16,065,614	\$0	\$19,542,214
Capital Assets, being depreciated:				
Buildings and Improvements	\$11,049,488	\$40,752	\$0	\$11,090,240
Furniture and Equipment	1,060,184	69,024	(55,076)	1,074,132
Vehicles	1,815,524	200,050	(84,237)	1,931,337
Total Capital Assets, being depreciated	\$13,925,196	\$309,826	(\$139,313)	\$14,095,709
Less Accumulated Depreciation				
Buildings and Improvements	(4,550,202)	(362,596)	0	(4,912,798)
Furniture and Equipment	(554,177)	(84,319)	54,566	(583,930)
Vehicles	(1,184,831)	(150,058)	84,237	(1,250,652)
Total Accumulated Depreciation	(\$6,289,210)	(\$596,973)	\$138,803	(\$6,747,380)
Total Capital Assets being depreciated, net	\$7,635,986	(\$287,147)	(\$510)	\$7,348,329
Governmental Activities Capital Assets, Net	\$11,112,586	\$15,778,467	(\$510)	\$26,890,543

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$311,621
Special	34,624
Vocational	38,206
Support Services:	
Pupil	14,327
Instructional Staff	23,282
Board of Education	597
Administration	65,070
Fiscal	597
Operation and Maintenance of Plant	21,491
Pupil Transportation	7,761
Central	13,133
Food Service Operations	27,461
Extracurricular Activities	38,803
Total Depreciation Expense	\$596,973

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

Note 9—Receivables

Receivables at June 30, 2004, consisted of taxes, intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the non-payment of taxes, the stable condition of state programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Title VI Grant	41,043
Title I	38,960
Class Size Reduction	12,553
School Net	1,349
Food Service Subsidy	<u>34,554</u>
Total	<u><u>\$128,459</u></u>

Note 10—Risk Management

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. During fiscal year 2004 the District contracted with Kennedy Insurance Company for property insurance. Professional liability is protected by Kennedy Insurance Company with a \$3,000,000 single occurrence limit and a \$4,000,000 aggregate. Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no reductions in coverage from the prior year.

Performance bonds in the amount of \$20,000 are maintained for the treasurer. All other employees are covered by a \$10,000 blanket bond. All bonds are covered by the Ohio Casualty Insurance Company.

B. Worker’s Compensation

For fiscal year 2004 the District participated in the Ohio School Boards Association (OSBA) Workers’ Compensation Group Rating Program (GRP), a group insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the 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 participants’ individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund.” This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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

Note 10—Risk Management (Continued)

C. Employee Medical Benefits

The District maintains a limited risk health insurance program for employees. Premiums are paid to a third party administrator, Central Benefits. The claims are processed by the third party administrator and monitored by a District insurance administrator in conjunction with the third party administrator.

The District uses an internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical/surgical plan with a \$200 single and \$400 family deductible. The District purchases stop-loss coverage of \$75,000 per individual per year. The District pays into the self-insurance fund \$780 for family coverage or \$288 for individual coverage per month which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Dental coverage is also provided on a self-insured basis by the District with CoreSource, Inc., serving as the third party administrator. Premiums for this coverage are \$68 for family coverage or \$26 for individual coverage. The District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

The claims liability of \$145,816 reported in the internal service fund at June 30, 2004, is based on an estimate provided by the third party administrator. The requirements of Governmental Accounting Standards Board Statement No. 30 require that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 2003 and 2004 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2003	\$155,887	\$1,778,557	\$1,776,889	\$157,555
2004	157,555	1,978,194	1,989,933	145,816

Note 11—Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be

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

Note 11—Pension Plans (Continued)

amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$229,411, \$275,628, and \$257,233 respectively; 46 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 13.0 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,355,417, \$1,297,194, and \$1,158,622 respectively; 95 percent has been contributed for fiscal years 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$5,184 made by the District and \$20,584 made by plan members.

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

Note 11—Pension Plans (Continued)

The District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,232,949, \$1,278,854, and \$1,158,622 respectively; 95 percent has been contributed for fiscal years 2004 and 100 percent for fiscal years 2003 and 2002.

C. Social Security System

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

Note 12—Postemployment Benefits

The 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 the 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, 2004, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$94,842 for fiscal year 2004.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. 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 premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for portion service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$177,087.

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, 2003 (the latest information available), were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

TRI-VALLEY LOCAL SCHOOL DISTRICT

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

Note 13—Other Employee Benefits

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

The District provides life insurance and accidental death and dismemberment insurance to its employees. Term life insurance coverage is \$20,000 with an additional \$20,000 of accidental death and dismemberment coverage for certified and non-certified staff. For administrators, coverage is calculated at \$1,000 for every \$1,000 earned with a maximum of \$50,000. Coverage is provided by Guardian Life Insurance Company of America.

An additional employee benefit which is offered through the District is vision insurance coverage through Vision Service Plan, Inc.

Note 14—Long-Term Liabilities

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

	<u>Principal Outstanding 6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/04</u>	<u>Amounts Due in One Year</u>
General Obligation Bonds:					
2002 School Improvements					
Serial Bonds - 2.00-4.5%, \$3,880,000	\$ 3,600,000	\$ 0	\$235,000	\$3,365,000	\$320,000
Term Bonds - 5.25-5.75%, \$14,620,000	14,620,000	0	0	14,620,000	0
Serial/Term Bond Premium, \$228,153	217,968	0	8,148	209,820	0
Term Bond Discount, \$74,000	(70,696)	2,643	0	(68,053)	0
Total General Obligation Bonds	<u>\$18,367,272</u>	<u>\$2,643</u>	<u>\$243,148</u>	<u>\$18,126,767</u>	<u>\$320,000</u>
Note Payables:					
Asbestos Loan, 1989, \$144,946 - 0%	27,446	0	8,053	19,393	8,053
Compensated Absences	1,086,840	96,741	142,060	1,041,521	111,354
Capital Lease - Copiers	110,217	7,074	34,359	82,932	37,698
Total Long-Term Liabilities	<u>\$19,591,775</u>	<u>\$106,458</u>	<u>\$427,620</u>	<u>\$19,270,613</u>	<u>\$477,105</u>

The Asbestos Loan was for asbestos abatement projects throughout the District. Compensated absences will be paid from the general fund and the food service special revenue fund. The capital lease is for copiers throughout the District and will be paid from the general fund. The 2002 School Improvement Bonds were issued in the par amount of \$18,500,000 at variable interest rates between 2.00 and 5.75 percent for the purpose of constructing a new middle school and making additions and improvements to the high school. New furnishing and equipment will be part of both projects. These general obligations will be paid from the debt service fund.

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

Note 14—Long-Term Liabilities (Continued)

On March 18, 2002, the District issued \$18,500,000 in voted general obligation bonds to pay the local share of the school construction under the state of Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial and term bonds in the amount of \$3,880,000 and \$14,620,000 respectively. The bonds are being retired from the Debt Service Fund. The serial and a portion of the term bonds were sold at a premium of \$228,153, with a portion of the term bonds being sold at a discount of \$74,000, both of which will be amortized over the life of the bonds. Issuance costs associated with the bond issue were \$91,545 and are deferred and will be amortized over the life of the bond issue. The bonds were issued for a 28-year period with a final maturity at December 1, 2029. In connection with the passage of the bond issue, the District also passed a half-mill levy for the maintenance of the new building. The District must maintain a maintenance plan and submit it to the Ohio School Facilities Commission every 5 years for the term of the bond.

The term bonds maturing on December 1, 2016, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1 in each of the years 2014 through 2015 (with the balance of \$470,000 to be paid at stated maturity on December 1, 2016) at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2014	\$365,000
2015	420,000

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1 in each of the years 2017 through 2018 (with the balance of \$660,000 to be paid at stated maturity on December 1, 2009), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2017	\$530,000
2018	595,000

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, 2020 (with the balance of \$815,000 to be paid at stated maturity on December 1, 2021), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2020	\$735,000

The term bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1 in each of the years 2022 through 2028 (with the balance of \$1,660,000 to be paid at stated maturity on December 1, 2029), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2022	\$900,000
2023	985,000
2024	1,080,000
2025	1,180,000
2026	1,290,000
2027	1,405,000
2028	1,530,000

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

Note 14—Long-Term Liabilities (Continued)

At June 30, 2004, the District's overall legal debt margin was \$9,506,156, with an unvoted debt margin of \$295,579. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2004, are as follows:

Fiscal Year	Asbestos Loan	General Obligation Bonds		Total
	Principal	Principal	Interest	
2005	\$8,053	\$320,000	\$909,430	\$1,237,483
2006	8,053	360,000	898,780	1,266,833
2007	3,287	405,000	886,045	1,294,332
2008	0	225,000	874,998	1,099,998
2009	0	260,000	865,636	1,125,636
2010-2014	0	1,795,000	4,116,262	5,911,262
2015-2019	0	2,380,000	3,618,604	5,998,604
2020-2024	0	4,095,000	2,734,847	6,829,847
2025-2029	0	6,485,000	1,345,963	7,830,963
2030	0	1,660,000	43,575	1,703,575
Totals	\$19,393	\$17,985,000	\$16,294,140	\$34,298,533

Note 15—Capital Leases—Lessee Disclosure

Capital lease payment have been reclassified and are reflected as general fund debt service expenditures in the financial statements. They are presented as current expenditures in the budgetary statements. Capital Assets acquired by lease have been capitalized in the amount of \$173,048 which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on the assets is \$90,116, leaving a book value of \$82,932. The following is a schedule of the future minimum lease payments required under the capital lease. Principal payments in fiscal year 2004 totaled \$34,359.

Fiscal Year	Principal	Interest
2005	\$37,698	\$5,266
2006	44,539	2,161
2007	695	9
	\$82,932	\$7,436

TRI-VALLEY LOCAL SCHOOL DISTRICT

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

Note 16—Contractual Commitments

As of June 30, 2004, the District had the following contractual purchase commitments:

<u>Project</u>	<u>Fund</u>	<u>Purchase Commitment</u>	<u>Amounts Paid as of 6/30/04</u>	<u>Amounts Remaining on Contracts</u>
<i>Middle School:</i>				
Clagget and Sons - General Trades	Building	\$5,543,300	\$4,687,257	\$856,043
Claypool Electric - Electrical/Data Cabling	Building	990,000	888,189	101,811
Crace Construction - Aluminum/Windows	Building	143,919	67,041	76,878
Gutridge Plumbing - Fire Prot./Plumbing	Building	713,200	606,291	106,909
Metal Masters - HVAC	Building	1,734,000	1,593,557	140,443
		\$9,124,419	\$7,842,335	\$1,282,084
<i>High School:</i>				
Branthoover and Johnston - Plumbing	Building	\$304,000	\$269,709	\$34,291
Crace Construction - Aluminum/Windows	Building	148,257	88,830	59,427
Dalmatian Fire - Fire Protection	Building	94,000	84,876	9,124
Howards Sheet Metal - HVAC	Building	1,147,500	1,059,541	87,959
Robertson Construction - General Trades	Building	3,066,204	2,578,026	488,178
Southeastern Electric - Electrical	Building	656,104	529,892	126,212
		\$5,416,065	\$4,610,874	\$805,191
<i>Combined:</i>				
Farnham Equipment - Casework	Building	\$472,000	\$360,896	\$111,104
Louis Polster - Food Service Equipment	Building	374,890	45,214	329,676
Quandel Group, Inc. - Construction Mgr.	Building	1,054,000	993,000	61,000
McDonald, Cassell & Bassett - Architects	Building	1,058,542	969,625	88,917
Miscellaneous Contracts - Furnishings	Building	941,964	0	941,964
Miscellaneous Contracts - Miscellaneous	Building	292,912	233,222	59,690
		\$4,194,308	\$2,601,957	\$1,592,351
		\$18,734,792	\$15,055,166	\$3,679,626
Totals		\$18,734,792	\$15,055,166	\$3,679,626

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

Note 17—Contingent Liabilities

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally required 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 District at June 30, 2004.

B. Litigation

The District had no pending litigation as of June 30, 2004.

Note 18—Jointly Governed Organizations and Public Entity Risk Pool

A. Jointly Governed Organizations

Licking Area Computer Association—Licking Area Computer Association (LACA) is a jointly governed organization of a two-county consortium of school districts. The jointly governed 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 districts. Each of the governments of these schools supports LACA based upon a per pupil charge dependent upon the software package utilized. LACA is governed by a Board of Directors consisting of the superintendents of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 14 school districts. For fiscal year 2004, the District paid \$70,162 for services.

Mid-East Ohio Career and Technology Center—The Mid-East Ohio Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Joint Vocational School District. To obtain financial information, write to the Mid-East Ohio Career and Technology Center, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

East Central Ohio Special Education Regional Resource Center—The East Central Ohio Special Education Regional Resource Center is a not-for-profit council of governments of various school districts and other organizations in east central Ohio. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECOSERRC.

B. Public Entity Risk Pool

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

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

Note 19—Set-Aside Calculations, Restricted Assets, and Fund Reserves

The 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.

In previous fiscal years, the District was also required to set aside money for budget stabilization. Senate Bill 345, effective April 10, 2001, eliminated future set-aside requirements for the budget stabilization, reduced requirements related to the current set-aside, and placed restrictions on current budget stabilization money relating to the worker's compensation refunds.

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

	<u>Instructional Materials Reserve</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balances as of June 30, 2003	\$ 0	\$ 0	\$76,359
Current Year Set-aside Requirement	436,916	436,916	0
Qualifying Disbursements	<u>654,568</u>	<u>718,426</u>	<u>0</u>
Current Year Requirement less Qualifying Disbursements	(217,652)	(281,510)	0
Beginning carryover Offsets/Excess Disbursements	239,372	2,511,726	0
Current Year Offsets/Excess Disbursements	<u>0</u>	<u>16,061,005</u>	<u>0</u>
Total Available as Offsets/Excess Disbursements	239,372	18,572,731	0
Current Year Application of Offsets/Excess Disbursements	<u>0</u>	<u>0</u>	<u>0</u>
Offsets/Excess Disbursements to be Carried Forward to Future Years	457,024	18,572,731	0
Set-aside Reserve Balance as of June 30, 2004	<u>\$0</u>	<u>\$0</u>	<u>\$76,359</u>
Set-aside Cash Balance as of June 30, 2004	<u>\$0</u>	<u>\$0</u>	<u>\$76,359</u>

The District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. The District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. The District also had current year and prior year capital expenditures in connection with a school facilities project that may be carried forward to offset future set-aside requirements. The total reserve balance for the three set-asides at the end of the fiscal year was \$76,359.

Note 20—School Funding

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

TRI-VALLEY LOCAL SCHOOL DISTRICT

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

Note 21—Investment Trust Fund

During fiscal year 2004 the District served as a fiscal agent for the Ohio Coalition of Equity and Adequacy of School Funding, a legally separate entity. The District pooled the moneys of the entity with its own for investment purposes. The investment trust fund is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment and of the interest that it earns. As of June 30, 2004 the District ceased to be fiscal agent for the Ohio Coalition and all assets were distributed accordingly. Condensed financial information for the investment pool follows:

**Statement of Net Assets
June 30, 2004**

<i>Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$9,142,792
<i>Total Assets</i>	<u>\$9,142,792</u>
<i>Net Assets Held in Trust for Pool Participants:</i>	
Internal Portion	9,142,792
External Portion	<u>0</u>
<i>Total Net Assets Held in Trust for Pool Participants</i>	<u>\$9,142,792</u>

**Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2004**

<i>Additions:</i>	
Interest Income	\$171,272
Decrease in Fair Value	(169,515)
<i>Deductions:</i>	
Operating Deductions	<u>(772)</u>
Net Increase in Assets Resulting from Operations	985
Distributions Paid to Participants	(728,913)
Capital Transactions	<u>(14,161,028)</u>
Total Decrease in Net Assets	(14,888,941)
Net Assets Beginning of Year	<u>24,031,733</u>
<i>Net Assets End of Year</i>	<u>\$9,142,792</u>

Deposits which are not pooled for investment purposes by the District, such as those held by an escrow agent, are excluded from the investment trust fund and captioned on the District's basic financial statements as "Cash and Cash Equivalents with Escrow Agents." A reconciliation between cash and cash equivalents reported for the investment trust fund and total cash and cash equivalents for the District based upon GASB Statement No. 9 is as follows:

Cash and Cash Equivalents in Investment Trust Fund	\$9,142,792
Cash and Cash Equivalents with Escrow Agents	<u>2,579,864</u>
Cash and Cash Equivalents - GASB Statement 9 (See Note 6)	<u>\$11,722,656</u>

Tri-Valley Local School District

Combining Statements of Nonmajor Governmental Funds
and Agency Fund

Fund Descriptions

Nonmajor Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Following is a description of the District's nonmajor special revenue funds:

Local Fund

These funds account for monies received to promote community involvement and to support activities between the school and the community.

State Fund

These funds are used to account for development of certified staff, peer assistance review plans, research and demonstration projects established by the State of Ohio, Department of Education, services to disadvantaged pupils, and reading proficiency.

IDEA (Part B)

This federal program assists schools in the identification of handicapped children, development of procedural safeguards, implementation of least restrictive alternative service patterns, and provision of full educational opportunities to handicapped children at the preschool, elementary, and secondary levels.

Title I Fund

This fund accounts for federal monies used to assist the School District in meeting the special needs of educationally deprived children.

Federal Fund

These funds account for monies used to improve the skills of teachers, increase the access of all students to instruction, assistance in the identification of handicapped children, implementation of alternative service patterns, assistance in meeting the special needs of educationally deprived children, implementation of gifted and talented programs, support of education improvement goals, and implementation and operation of drug abuse prevention programs.

Food Service Fund

This fund accounts for the financial transactions related to the food service operations of the District.

Nonmajor Debt Service Fund

The Debt Service Fund is a fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

(Continued)

Fund Descriptions (Continued)

Nonmajor Capital Projects Fund

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Following is a description of the nonmajor capital projects funds:

State Funded Technology Projects Fund

This fund accounts for the building and equipping of classroom facilities, the SchoolNet program and the interactive video distance learning project.

Agency Fund

This fund accounts for all student managed activities.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$762,230	\$435,963	\$1,198,193
Receivables:			
Taxes	136,430	1,283,024	1,419,454
Intergovernmental	128,459	0	128,459
Prepaid Items	1,039	0	1,039
Materials and Supplies Inventory	14,757	0	14,757
Total Assets	\$1,042,915	\$1,718,987	\$2,761,902
Liabilities and Fund Equity:			
Liabilities:			
Accounts Payable	\$34,736	\$ 0	\$34,736
Accrued Wages and Benefits	44,398	0	44,398
Intergovernmental Payable	11,810	0	11,810
Deferred Revenue	88,524	829,933	918,457
Total Liabilities	\$179,468	\$829,933	\$1,009,401
Fund Equity:			
Fund Balances:			
Reserved for Encumbrances	\$47,633	\$0	\$47,633
Reserved for Property Taxes	47,906	453,091	500,997
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	767,908	0	767,908
Debt Service Funds	0	435,963	435,963
Total Fund Equity	\$863,447	\$889,054	\$1,752,501
Total Liabilities and Fund Equity	\$1,042,915	\$1,718,987	\$2,761,902

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$129,593	\$1,217,952	\$ 0	\$1,347,545
Intergovernmental	1,773,210	127,769	70,950	1,971,929
Interest	845	0	0	845
Extracurricular Activities	226,969	0	0	226,969
Charges for Services	616,301	0	0	616,301
Miscellaneous	34,207	0	0	34,207
Total Revenues	\$2,781,125	\$1,345,721	\$ 70,950	\$4,197,796
Expenditures:				
Current:				
Instruction:				
Regular	\$321,989	\$ 0	\$77,811	\$399,800
Special	257,280	0	0	257,280
Support Services:				
Pupils	211,022	0	0	211,022
Instructional Staff	35,101	0	0	35,101
Board of Education	2,402	24,544	0	26,946
Administration	62,216	0	0	62,216
Operation and Maintenance of Plant	15,666	0	0	15,666
Pupil Transportation	26,651	0	0	26,651
Central	42,865	0	0	42,865
Operation of Non-Instructional Services	10,442	0	0	10,442
Food Service Operations	1,013,153	0	0	1,013,153
Extracurricular Activities	142,534	0	0	142,534
Debt Service:				
Principal Retirement	0	243,053	0	243,053
Interest and Fiscal Charges	0	916,580	0	916,580
Total Expenditures	\$2,141,321	\$1,184,177	\$77,811	\$3,403,309
Excess of Revenues Over (Under) Expenditures	\$639,804	\$161,544	(\$6,861)	\$794,487
Other Financing Uses:				
Transfers Out	\$0	\$0	(\$23,417)	(\$23,417)
Total Other Financing Uses	\$0	\$0	(\$23,417)	(\$23,417)
Net Change in Fund Balance	\$639,804	\$161,544	(\$30,278)	\$771,070
Fund Balances at Beginning of Year	223,643	727,510	30,278	981,431
Fund Balances at End of Year	\$863,447	\$889,054	\$0	\$1,752,501

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2004

	<u>Local</u>	<u>State</u>	<u>Federal</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$459,047	\$157,482	\$0
Taxes Receivable	136,430	0	0
Intergovernmental Receivable	0	0	93,905
Prepaid Items	0	0	0
Materials and Supplies Inventory	0	0	0
Total Assets	\$595,477	\$157,482	\$93,905
Liabilities and Fund Equity:			
Liabilities:			
Accounts Payable	\$ 13,298	\$21,438	\$0
Accrued Wages and Benefits	0	0	0
Intergovernmental Payable	0	0	0
Deferred Revenue	88,524	0	0
Total Liabilities	\$101,822	\$21,438	\$0
Fund Equity:			
Fund Balance:			
Reserved for Encumbrances	\$13,987	\$6,372	\$0
Reserved for Taxes	47,906	0	0
Unreserved, Undesignated	431,762	129,672	93,905
Total Fund Equity	\$493,655	\$136,044	\$93,905
Total Liabilities and Fund Equity	\$595,477	\$157,482	\$93,905

TRI-VALLEY LOCAL SCHOOL DISTRICT

Food Service	Total Nonmajor Special Revenue Funds
\$145,701	\$762,230
0	136,430
34,554	128,459
1,039	1,039
14,757	14,757
\$196,051	\$1,042,915

\$ 0	\$34,736
44,398	44,398
11,810	11,810
0	88,524
\$56,208	\$179,468

\$27,274	\$47,633
0	47,906
112,569	767,908
\$139,843	\$863,447
\$196,051	\$1,042,915

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004**

	<u>Local</u>	<u>State</u>	<u>IDEA (Part B)</u>
Revenues:			
Taxes	\$129,593	\$ 0	\$ 0
Intergovernmental	13,924	158,712	475,645
Interest	0	0	0
Extracurricular Activities	226,969	0	0
Charges for Services	0	0	0
Miscellaneous	17,564	15,065	0
Total Revenues	\$388,050	\$173,777	\$475,645
Expenditures:			
Current:			
Instruction -			
Regular	\$7,429	\$233,873	\$ 0
Special	619	0	64,396
Support Services -			
Pupils	0	490	195,793
Instructional Staff	0	0	0
Board of Education	2,402	0	0
Administration	62,216	0	0
Operation of Plant and Maintenance	15,666	0	0
Pupil Transportation	12,451	0	14,200
Central	42,865	0	0
Operation of Non-Instructional Services	0	0	0
Food Service Operations	0	0	0
Extracurricular Activities	142,534	0	0
Total Expenditures	\$286,182	\$234,363	\$274,389
Net Change in Fund Balance	\$101,868	(\$60,586)	\$201,256
Fund Balances(Deficit) at Beginning of Year	391,787	196,630	(201,256)
Fund Balances at End of Year	\$493,655	\$136,044	\$0

TRI-VALLEY LOCAL SCHOOL DISTRICT

Title I	Federal	Food Service	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$129,593
413,975	352,333	358,621	1,773,210
0	0	845	845
0	0	0	226,969
0	0	616,301	616,301
0	0	1,578	34,207
\$413,975	\$352,333	\$977,345	\$2,781,125
\$0	\$80,687	\$ 0	321,989
189,451	2,814	0	257,280
0	14,739	0	211,022
65	35,036	0	35,101
0	0	0	2,402
0	0	0	62,216
0	0	0	15,666
0	0	0	26,651
0	0	0	42,865
10,442	0	0	10,442
0	0	1,013,153	1,013,153
0	0	0	142,534
\$199,958	\$133,276	\$1,013,153	\$2,141,321
\$214,017	\$219,057	(\$35,808)	\$639,804
(214,017)	(125,152)	175,651	223,643
\$0	\$93,905	\$139,843	\$863,447

TRI-VALLEY LOCAL SCHOOL DISTRICT

Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2004

	Beginning Balance 7/1/03	Additions	Reductions	Ending Balance 6/30/04
<i>Student Managed Activities</i>				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$96,646	\$146,784	\$155,978	\$87,452
<i>Total Assets</i>	\$96,646	\$146,784	\$155,978	\$87,452
<i>Liabilities:</i>				
Due to Students	\$96,646	\$146,784	\$155,978	\$87,452
<i>Total Liabilities</i>	\$96,646	\$146,784	\$155,978	\$87,452

Tri-Valley Local School District

Individual Fund Schedules of Revenues, Expenditures/Expenses and
Changes in Fund Balances—Budget (Non-GAAP Basis) and Actual

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Taxes	\$6,155,747	\$6,155,747	\$0
Intergovernmental	12,837,157	12,837,157	0
Interest	43,858	51,040	7,182
Tuition and Fees	33,481	33,481	0
Extracurricular Activities	75,205	75,205	0
Rentals	1,095	1,095	0
Miscellaneous	100,507	100,578	71
Total Revenues	\$19,247,050	\$19,254,303	\$7,253
Expenditures:			
Current:			
Instruction -			
Regular:			
Salaries and Wages	\$7,343,189	\$7,343,190	(\$1)
Fringe Benefits	2,071,346	2,071,346	0
Purchased Services	193,571	193,572	(1)
Materials and Supplies	620,883	620,884	(1)
Other	69,644	69,644	0
Capital Outlay - New	74,489	74,489	0
Capital Outlay - Replacement	15,538	15,539	(1)
Total Regular	\$10,388,660	\$10,388,664	(\$4)
Special:			
Salaries and Wages	\$802,727	\$802,728	(\$1)
Fringe Benefits	240,103	240,103	0
Purchased Services	394,546	340,965	53,581
Materials and Supplies	33,660	33,660	0
Capital Outlay - New	20,907	20,907	0
Total Special	\$1,491,943	\$1,438,363	\$53,580
Vocational:			
Salaries and Wages	\$218,266	\$218,266	\$0
Fringe Benefits	77,183	77,183	0
Purchased Services	22,084	22,084	0
Materials and Supplies	22,659	22,658	1
Capital Outlay - New	20,916	20,916	0
Total Vocational	\$361,108	\$361,107	\$1

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (Continued)**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
Instruction (Continued)			
Other:			
Fringe Benefits	\$5,199	\$5,199	\$ 0
Total Other	\$5,199	\$5,199	\$ 0
Total Instruction	\$12,246,910	\$12,193,333	\$53,577
Support Services -			
Pupils:			
Salaries and Wages	\$345,963	\$345,964	(\$1)
Fringe Benefits	66,693	66,693	0
Purchased Services	35,693	35,693	0
Materials and Supplies	16,798	16,798	0
Other	139	139	0
Total Pupils	\$465,286	\$465,287	(\$1)
Instructional Staff:			
Salaries and Wages	\$572,200	\$572,200	\$ 0
Fringe Benefits	159,460	159,460	0
Purchased Services	(4,083)	(4,082)	(1)
Materials and Supplies	39,090	39,091	(1)
Other	6,114	6,114	0
Capital Outlay - New	8,298	8,298	0
Capital Outlay - Replacement	2,607	2,607	0
Total Instructional Staff	\$783,686	\$783,688	(\$2)
Board of Education:			
Salaries and Wages	\$6,240	\$6,240	\$ 0
Purchased Services	46,363	46,363	0
Other	549,574	550,015	(441)
Capital Outlay - Replacement	44,279	44,279	0
Total Board of Education	\$646,456	\$646,897	(\$441)

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (Continued)**
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
Administration:			
Salaries and Wages	\$1,288,212	\$1,288,212	\$ 0
Fringe Benefits	532,304	532,304	0
Purchased Services	120,191	120,191	0
Materials and Supplies	21,831	21,828	3
Capital Outlay - New	18,986	18,986	0
Capital Outlay - Replacement	1,729	1,729	0
Total Administration	\$1,983,253	\$1,983,250	\$3
Fiscal:			
Salaries and Wages	\$190,092	\$190,092	\$ 0
Fringe Benefits	193,253	193,253	0
Purchased Services	8,868	9,055	(187)
Materials and Supplies	4,064	4,064	0
Capital Outlay - New	2,192	2,192	0
Total Fiscal	\$398,469	\$398,656	(\$187)
Business:			
Purchased Services	\$32,960	\$32,960	\$ 0
Total Business	\$32,960	\$32,960	\$ 0
Operation and Maintenance of Plant:			
Salaries and Wages	\$537,503	\$537,503	\$ 0
Fringe Benefits	306,512	306,512	0
Purchased Services	572,050	572,049	1
Materials and Supplies	126,138	126,752	(614)
Capital Outlay - New	3,185	3,185	0
Capital Outlay - Replacement	17,833	17,833	0
Total Operation and Maintenance of Plant	\$1,563,221	\$1,563,834	(\$613)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (Continued)**
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
<i>Pupil Transportation:</i>			
Salaries and Wages	\$638,371	\$638,370	\$1
Fringe Benefits	389,326	389,326	0
Purchased Services	60,766	60,767	(1)
Materials and Supplies	237,083	236,731	352
Capital Outlay - New	1,318	1,318	0
Capital Outlay - Replacement	159,231	159,231	0
<i>Total Pupil Transportation</i>	\$1,486,095	\$1,485,743	\$352
<i>Central:</i>			
Salaries and Wages	\$88,687	\$88,687	\$0
Fringe Benefits	12,833	12,833	0
Purchased Services	3,060	3,149	(89)
Materials and Supplies	16,373	16,373	0
Capital Outlay - New	161,691	161,692	(1)
<i>Total Central</i>	\$282,644	\$282,734	(\$90)
<i>Total Support Services</i>	\$7,642,070	\$7,643,049	(\$979)
<i>Extracurricular Activities- Sports Oriented Activities:</i>			
Other	\$38,766	\$38,766	\$0
<i>Total Extracurricular Activities</i>	\$38,766	\$38,766	\$0
<i>Capital Outlay -</i>			
<i>Site Improvement Services:</i>			
Capital Outlay - New	\$360,327	\$310,497	\$49,830
<i>Total Capital Outlay</i>	\$360,327	\$310,497	\$49,830
<i>Total Expenditures</i>	\$20,288,073	\$20,185,645	\$102,428
Net Change in Fund Balance	(\$1,041,023)	(\$931,342)	\$109,681

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (Continued)**
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
<i>Other Financing Sources (Uses):</i>			
Transfers In	\$23,417	\$23,417	\$ 0
Transfers Out	(500,000)	(500,000)	0
<i>Total Other Financing Sources (Uses)</i>	(\$476,583)	(\$476,583)	\$ 0
Net Change in Fund Balance	(\$1,517,606)	(\$1,407,925)	\$109,681
Fund Balance at Beginning of Year	3,685,558	3,685,558	0
Prior Year Encumbrances Appropriated	666,352	666,352	0
<i>Fund Balance at End of Year</i>	\$2,834,304	\$2,943,985	\$109,681

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Permanent Improvement Fund
For the Fiscal Year Ended June 30, 2004**

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Capital Outlay-			
Building Improvement Services:			
Capital Outlay—New	\$1,104,178	\$609,268	\$ 494,910
Total Building Improvement Services	\$1,104,178	\$609,268	\$ 494,910
Total Capital Outlay	\$1,104,178	\$609,268	\$494,910
Total Expenditures	\$1,104,178	\$609,268	\$ 494,910
Excess of Revenues Under Expenditures	(\$1,104,178)	(\$609,268)	\$494,910
Other Financing Sources:			
Transfers In	\$500,000	\$500,000	\$0
Total Other Financing Sources	\$500,000	\$500,000	\$0
Net Change in Fund Balance	(\$604,178)	(\$109,268)	\$ 494,910
Fund Balance at Beginning of Year	1,534,468	1,534,468	0
Fund Balance at End of Year	\$930,290	\$1,425,200	\$ 494,910

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Building Fund**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
Revenues			
Interest	\$139,719	\$139,719	\$0
Total Revenues	\$139,719	\$139,719	\$0
Expenditures			
Capital Outlay:			
Facilities Acquisition and Construction Services:			
Construction Services:			
Site Improvement Services:			
Capital Outlay–New	\$16,778,969	\$16,778,969	\$0
Total Site Improvement Services	\$16,778,969	\$16,778,969	\$0
Total Capital Outlay	\$16,778,969	\$16,778,969	\$0
Total Expenditures	\$16,778,969	\$16,778,969	\$0
Net Change in Fund Balance	(\$16,639,250)	(\$16,639,250)	\$0
Fund Balance at Beginning of Year	2,860,767	2,860,767	0
Prior Year Encumbrances Appropriated	13,778,483	13,778,483	0
Fund Balance at End of Year	\$0	\$0	\$0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Local Fund**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Taxes	\$128,004	\$128,004	\$0
Intergovernmental	13,924	13,924	0
Extracurricular Activities	226,969	\$226,969	0
Miscellaneous	17,564	17,564	0
Total Revenues	\$386,461	\$386,461	\$0
Expenditures:			
Current:			
Instruction -			
Regular:			
Other	\$6,879	\$6,879	\$0
Capital Outlay - New	550	550	0
Total Regular	\$7,429	\$7,429	\$0
Special:			
Materials and Supplies	\$619	\$619	\$0
Total Special	\$619	\$619	\$0
Total Instruction	\$8,048	\$8,048	\$0
Support Services -			
Board of Education:			
Other	\$2,395	\$2,402	(\$7)
Total Board of Education	\$2,395	\$2,402	(\$7)
Administration:			
Other	\$70,535	\$70,537	(\$2)
Total Administration	\$70,535	\$70,537	(\$2)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Local Fund (Continued)**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
Operation and Maintenance of Plant			
Capital Outlay - New	\$28,118	\$28,118	\$ 0
Total Operation and Maintenance of Plant	\$28,118	\$28,118	\$ 0
Central:			
Materials and Supplies	\$36,384	\$36,384	\$ 0
Other	7,811	7,809	2
Total Central	\$44,195	\$44,193	\$2
Total Support Services	\$145,243	\$145,250	(\$7)
Extracurricular Activities -			
Academic Oriented Activities			
Other	\$33,087	\$33,087	\$ 0
Total Academic Oriented Activities	\$33,087	\$33,087	\$ 0
Sport Oriented Activities			
Other	\$104,545	\$104,545	\$ 0
Total Sport Oriented Activities	\$104,545	\$104,545	\$ 0
School and Public Service Activities			
Other	\$13,327	\$13,327	\$ 0
Total School and Public Service Activities	\$13,327	\$13,327	\$ 0
Total Extracurricular Activities	\$150,959	\$150,959	\$ 0
Total Expenditures	\$304,250	\$304,257	(\$7)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Local Fund (Continued)**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
Net Change in Fund Balance	\$82,211	\$82,204	(\$7)
Fund Balance at Beginning of Year	316,260	316,260	0
Prior Year Encumbrances Appropriated	29,203	29,203	0
<i>Fund Balance at End of Year</i>	\$427,674	\$427,667	(\$7)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
State Fund
For the Fiscal Year Ended June 30, 2004**

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$158,712	\$158,712	\$ 0
Total Revenues	\$158,712	\$158,712	\$ 0
Expenditures:			
Current:			
Instruction -			
Regular:			
Salaries and Wages	\$29,710	\$29,710	\$ 0
Purchased Services	50,308	50,308	0
Materials and Supplies	103,108	103,107	1
Capital Outlay - New	57,524	57,524	0
Total Regular	\$240,650	\$240,649	\$1
Total Instruction	\$240,650	\$240,649	\$1
Support Services -			
Pupils:			
Purchased Services	\$490	\$490	\$ 0
Total Pupils	\$490	\$490	\$ 0
Total Support Services	\$490	\$490	\$ 0
Total Expenditures	\$241,140	\$241,139	\$1

(Continued)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
State Fund (Continued)**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
Net Change in Fund Balance	(\$82,428)	(\$82,427)	\$1
Fund Balance at Beginning of Year	206,421	206,421	0
Prior Year Encumbrances Appropriated	5,679	5,679	0
<i>Fund Balance at End of Year</i>	\$129,672	\$129,673	\$1

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
IDEA (Part B)
For the Fiscal Year Ended June 30, 2004**

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$475,645	\$475,645	\$ 0
Total Revenues	\$475,645	\$475,645	\$ 0
Expenditures:			
Current:			
Instruction -			
Special:			
Salaries and Wages	\$46,710	\$46,710	\$ 0
Fringe Benefits	17,686	17,686	0
Total Special Instruction	\$64,396	\$64,396	\$ 0
Total Instruction	\$64,396	\$64,396	\$ 0
Support Services -			
Pupils:			
Salaries	\$27,694	\$27,694	\$ 0
Fringe Benefits	8,846	8,846	0
Purchased Services	159,253	159,253	0
Total Pupils	\$195,793	\$195,793	\$ 0
Pupil Transportation:			
Salaries	\$14,200	\$14,200	\$ 0
Total Pupil Transportaton	\$14,200	\$14,200	\$ 0
Total Support Services	\$209,993	\$209,993	\$ 0
Total Expenditures	\$274,389	\$274,389	\$ 0
Net Change in Fund Balance	\$201,256	\$201,256	\$ 0
Fund Balance(Deficit) at Beginning of Year	(201,256)	(201,256)	0
Fund Balance at End of Year	\$0	\$0	\$ 0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual**

Title I

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$413,975	\$413,975	\$ 0
Total Revenues	\$413,975	\$413,975	\$ 0
Expenditures:			
Current:			
Instruction -			
Special:			
Salaries and Wages	\$166,716	\$166,716	\$ 0
Fringe Benefits	10,169	10,169	0
Purchased Services	12,566	12,566	0
Total Special Instruction	\$189,451	\$189,451	\$ 0
Total Instruction	\$189,451	\$189,451	\$ 0
Support Services -			
Instructional Staff:			
Purchased Services	\$65	\$65	\$0
Total - Instructional Staff	\$65	\$65	\$0
Total - Support Services:	\$65	\$65	\$0
Non-Instructional Services -			
Community Services:			
Purchased Services	\$10,442	\$10,442	\$ 0
Total Community Services	\$10,442	\$10,442	\$ 0
Total Non-Instructional Services	\$10,442	\$10,442	\$ 0
Total Expenditures	\$199,958	\$199,958	\$ 0
Net Change in Fund Balance	\$214,017	\$214,017	\$ 0
Fund Balance(Deficit) at Beginning of Year	(214,017)	(214,017)	0
Fund Balance at End of Year	\$0	\$0	\$ 0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Federal Fund**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$309,546	\$309,546	\$ 0
Total Revenues	\$309,546	\$309,546	\$ 0
Expenditures:			
<i>Current:</i>			
<i>Instruction -</i>			
<i>Regular:</i>			
Salaries and Wages	\$52,721	\$52,721	\$0
Fringe Benefits	23,769	23,769	0
Purchased Services	696	696	0
Materials and Supplies	3,501	3,501	0
Total Regular Instruction	\$80,687	\$80,687	\$0
<i>Instruction -</i>			
<i>Special:</i>			
Purchased Services	\$921	\$921	\$0
Materials and Supplies	1,270	1,270	0
Capital Outlay - New	9,575	9,575	0
Total Special Instruction	\$11,766	\$11,766	\$0
Total Instruction	\$92,453	\$92,453	\$0
<i>Support Services -</i>			
<i>Pupils:</i>			
Salaries	\$14,459	\$14,459	\$0
Fringe Benefits	280	280	0
Total Pupils	\$14,739	\$14,739	\$0
<i>Support Services -</i>			
<i>Instructional Staff:</i>			
Purchased Services	\$35,036	\$35,036	\$0
Total Instructional Staff	\$35,036	\$35,036	\$0
Total Support Services	\$49,775	\$49,775	\$0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Budget (Non-GAAP Basis) and Actual
 Federal Fund (Continued)**
 For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
<i>Total Expenditures</i>	\$142,228	\$142,228	\$0
Net Change in Fund Balance	\$167,318	\$167,318	\$0
Fund Balance(Deficit) at Beginning of Year	(176,828)	(176,828)	0
Prior Year Encumbrances Appropriated	9,510	9,510	0
<i>Fund Balance at End of Year</i>	\$0	\$0	\$0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Food Service Fund
For the Fiscal Year Ended June 30, 2004**

	Final Budget	Actual	Variance Over (Under)
Revenues			
Intergovernmental	\$270,561	\$270,561	\$ 0
Interest	845	845	0
Charges for Services	616,301	616,301	0
Miscellaneous	1,578	1,578	0
Total Revenues	\$889,285	\$889,285	\$ 0
Expenditures			
Current:			
Food Service Operations			
Salaries	\$282,351	\$282,351	\$ 0
Fringe Benefits	167,345	167,345	0
Purchased Services	98,748	98,748	0
Materials and Supplies	409,215	409,215	0
Other	215	215	0
Capital Outlay - New	12,375	12,375	0
Capital Outlay - Replacement	352	352	0
Total Food Service Operations	\$970,601	\$970,601	\$ 0
Total Expenditures	\$970,601	\$970,601	\$ 0
Net Change in Fund Balance	(\$81,316)	(\$81,316)	\$ 0
Fund Balance at Beginning of Year	125,069	125,069	0
Prior Year Encumbrances Appropriated	70,513	70,513	0
Fund Balance at End of Year	\$114,266	\$114,266	\$ 0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Debt Service Fund
For the Fiscal Year Ended June 30, 2004**

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$127,769	\$127,769	\$ 0
Taxes	1,181,714	1,181,714	0
Total Revenues	\$1,309,483	\$1,309,483	\$ 0
Expenditures:			
Current:			
Support Services - Board of Education:			
Other	\$24,478	\$24,544	(\$66)
Total Support Services	\$24,478	\$24,544	(\$66)
Debt Service:			
Principal Retirement	\$243,053	\$243,053	\$ 0
Interest and Fiscal Charges	916,580	916,580	0
Total Debt Service	\$1,159,633	\$1,159,633	\$ 0
Total Expenditures	\$1,184,111	\$1,184,177	(\$66)
Net Change in Fund Balance	\$125,372	\$125,306	(\$66)
Fund Balance at Beginning of Year	\$310,664	\$310,664	\$ 0
Fund Balance at End of Year	\$436,036	\$435,970	(\$66)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
State Funded Technology Projects Fund
For the Fiscal Year Ended June 30, 2004**

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$70,950	\$70,950	\$0
Total Revenues	\$70,950	\$70,950	\$0
Expenditures:			
Instruction - Regular:			
Capital Outlay - New	\$70,950	\$70,950	\$0
Total Instruction	\$70,950	\$70,950	\$0
Total Expenditures	\$70,950	\$70,950	\$0
Excess of Revenues Over (Under) Expenditures	\$0	\$0	\$0
Other Financing Uses:			
Transfers Out	(\$23,417)	(\$23,417)	\$0
Total Other Financing Uses	(\$23,417)	(\$23,417)	\$0
Net Change in Fund Balance	(\$23,417)	(\$23,417)	\$0
Fund Balance at Beginning of Year	23,417	23,417	0
Fund Balance at End of Year	\$0	\$0	\$0

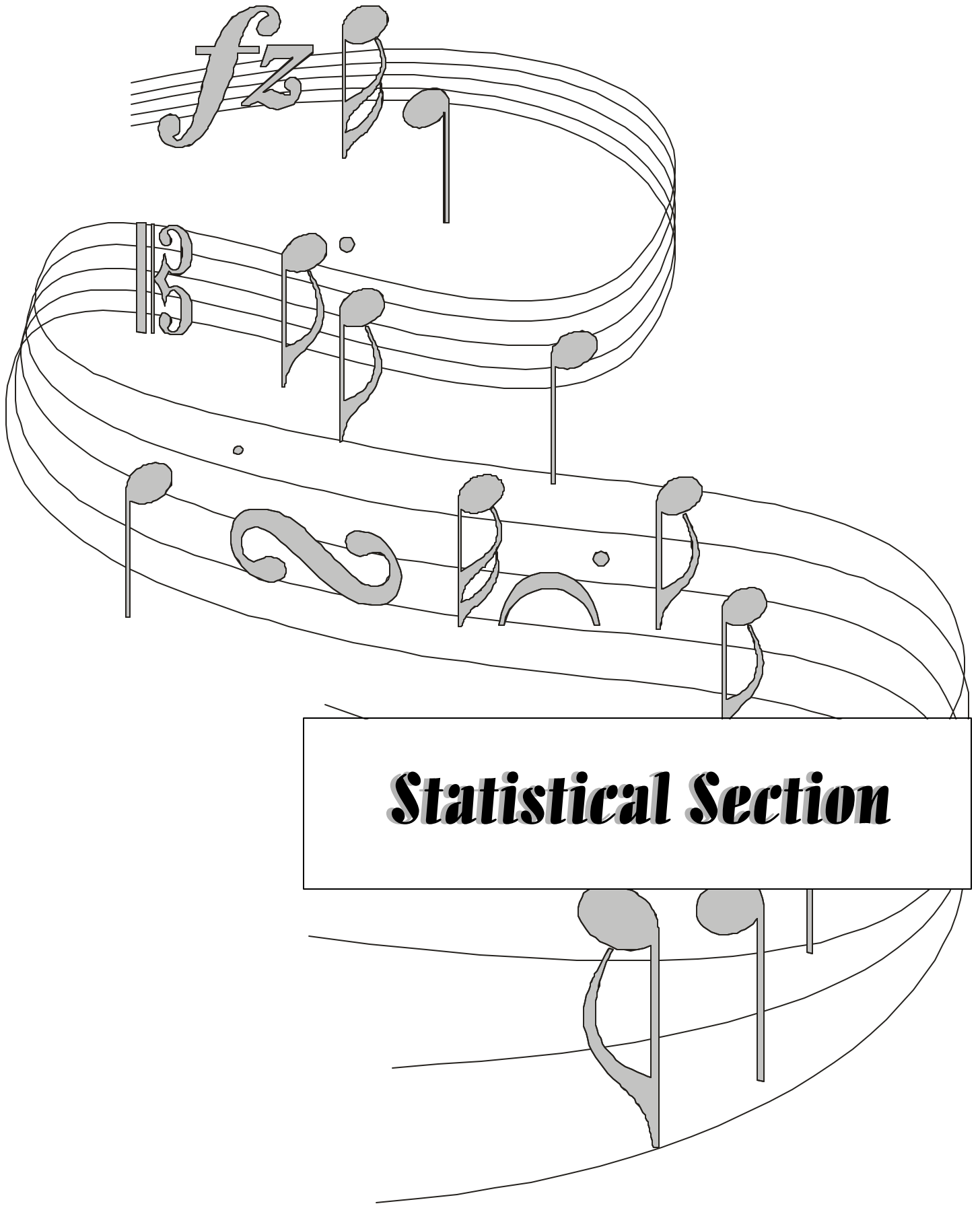
TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenses, and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Self-Insurance Fund**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Charges for Services	\$2,566,666	\$2,566,666	\$0
Total Revenues	\$2,566,666	\$2,566,666	\$0
Expenses:			
Purchased Services	\$216,083	\$216,083	\$0
Claims	2,145,320	2,038,374	106,946
Total Expenses	\$2,361,403	\$2,254,457	\$106,946
Net Change in Fund Equity	\$205,263	\$312,209	\$106,946
Fund Equity at Beginning of Year	453,882	453,882	0
Prior Year Encumbrances Appropriated	105,798	105,798	0
Fund Equity at End of Year	\$764,943	\$871,889	\$106,946

This Page Intentionally Left Blank



Statistical Section

Tri-Valley Local School District

The following statistical tables reflect social and economic data, financial trends, and fiscal capacity of the District.

Governmental Expenditures by Function

Last Ten Fiscal Years

	2004(1)	2003(1)	2002(1)	2001	2000
INSTRUCTION:					
Regular	\$10,774,345	\$9,752,516	\$9,578,384	\$8,123,445	\$7,374,325
Special	1,597,779	1,664,215	1,017,015	904,666	1,064,109
Vocational	334,308	306,944	308,644	261,496	249,117
Other/Unemployment Comp	0	0	0	1,822	2,536
Adult/Continuing	0	1,256	2,020	0	0
SUPPORT SERVICES:					
Pupils	664,381	550,709	378,810	402,585	422,657
Instructional Staff	807,474	680,469	493,861	493,723	370,850
Board of Education	624,316	555,669	744,877	127,729	528,181
Administration	1,992,967	1,883,544	1,756,433	1,770,942	1,592,241
Fiscal	398,025	383,318	334,088	305,421	269,636
Business	34,598	17,862	0	0	0
Operation & Maintenance					
of Plant	1,525,611	1,829,368	1,261,563	1,316,552	1,238,350
Pupil Transportation	1,450,874	1,375,748	1,246,696	1,467,757	1,133,924
Central	300,191	174,299	66,118	146,204	56,002
Operation of Non-Instructional Services	10,442	24,225	0	151,626	139,017
Food Service Operations	1,013,153	890,082	735,836	0	0
Extracurricular Activities	178,163	190,543	183,186	0	0
Capital Outlay	15,804,521	2,962,554	526,108	366,729	618,142
DEBT SERVICE:					
Principal Retirement	277,412	318,296	148,518	127,162	122,536
Bond Issuance Cost	0	0	90,728	0	0
Interest and Fiscal Charges	924,202	932,205	416,543	14,039	21,096
TOTAL	\$38,712,762	\$24,493,822	\$19,290,428	\$15,481,898	\$15,202,719

(1) Includes modified accrual information only. Once sufficient years of full accrual information have been obtained, they will be included in a separate table.

Source: School District Financial Records

(Continued)

Governmental Expenditures by Function (Continued)

Last Ten Fiscal Years

	1999	1998	1997	1996	1995
INSTRUCTION					
Regular	6,809,933	\$7,129,041	\$6,949,812	\$6,180,898	\$5,606,230
Special	900,114	840,905	873,677	775,993	787,532
Vocational	234,097	202,496	223,991	204,934	219,928
Other/Unemployment Comp	418	5,391	7,825	2,899	72
Adult Continuing	0	0	0	0	272
SUPPORT SERVICES:					
Pupils	402,366	338,443	347,628	288,565	320,247
Instructional Staff	330,099	313,226	297,959	283,900	332,918
Board of Education	565,915	351,618	392,108	417,154	379,072
Administration	1,338,917	1,415,221	1,381,573	1,303,155	1,232,789
Fiscal	208,788	244,455	200,979	181,276	175,395
Business	417	64	41,769	12,348	34,394
Operation & Maintenance of Plant	1,113,100	1,003,753	1,028,748	955,318	982,196
Pupil Transportation	1,105,310	923,733	1,011,664	847,766	916,720
Central	58,529	71,009	61,147	49,470	75,087
Operation of Non-Instructional Services	140,077	111,654	0	0	0
Food Service Operations	0	0	0	0	0
Extracurricular	0	0	97,708	106,934	102,815
Capital Outlay	749,884	176,536	458,820	232,454	484,682
DEBT SERVICE:					
Principal Retirement	115,791	109,227	101,831	86,156	80,362
Bond Issuance Cost	0	0	0	0	0
Interest and Fiscal Charges	27,377	33,940	39,626	35,741	41,042
TOTAL	\$14,101,132	\$13,270,712	\$13,516,865	\$11,944,961	\$11,771,753

Governmental Revenues By Source
Last Ten Fiscal Years

	2004(1)	2003(1)	2002(1)	2001	2000
Taxes	\$7,708,976	\$7,131,702	\$6,586,011	\$5,642,266	\$4,547,740
Intergovernmental	14,809,086	12,815,543	12,633,675	0	0
Interest	171,272	475,152	417,068	371,823	285,761
Decrease in Fair Value of Investments	(169,515)	0	0	0	0
Grants in Air - Federal	0	0	0	578,701	413,989
Grants in Aid - State	0	0	0	10,365,646	9,164,672
Tuition and Fees	33,481	32,080	36,724	0	0
Extracurricular Activities	302,174	338,644	309,450	264,379	224,350
Other Local Sources	0	0	0	139,625	244,879
Gifts and Donations	0	0	4,300	0	0
Charges for Services	616,301	584,959	551,223	0	0
Rentals	0	0	355	0	0
Miscellaneous	135,880	149,835	89,991	0	0
Revenue in Lieu of Taxes	0	0	0	34	38,150
TOTAL	\$23,607,655	\$21,527,915	\$20,283,004	\$17,362,474	\$14,919,541

(1) Includes modified accrual information only. Once sufficient years of full accrual information have been obtained, they will be included in a separate table.

Source: School District Financial Records

(Continued)

Governmental Revenues By Source (Continued)

Last Ten Fiscal Years

	1999	1998	1997	1996	1995
Taxes	\$4,523,395	\$4,323,041	\$3,768,933	\$3,746,482	\$3,449,825
Intergovernmental	0	0	0	0	0
Interest	237,328	290,765	193,483	224,287	196,482
Decrease in Fair Value of Investments	0	0	0	0	0
Grants in Aid - Federal	553,733	98,724	332,153	329,770	350,231
Grants in Aid - State	8,994,553	9,164,763	8,239,458	8,340,899	7,482,857
Tuition	0	0	0	13,636	16,505
Extracurricular Activities	291,665	251,540	233,272	209,971	232,631
Other Local Sources	150,561	150,825	90,207	95,730	125,523
Gifts and Donations	0	0	0	0	0
Charges for Services	0	0	0	0	0
Rentals	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Revenue in Lieu of Taxes	7,976	19,085	410	410	410
TOTAL	\$14,759,211	\$14,298,743	\$12,857,916	\$12,961,185	\$11,854,464

Source: School District Financial Records

Property Tax Levies and Collections
Last Ten Years

Collection Year	Current Tax Levy	Current Tax Collection	Percent Collected	Delinquent Tax Collected	Total Tax Collections	Percent of Total Collections to Current Levies	Outstanding Delinquent Taxes	Percent of Outstanding Delinquent Taxes to Current Tax Levy
2004	\$6,663,556	\$6,560,261	98.45%	\$221,861	\$6,782,122	101.78%	\$303,330	4.62%
2003	6,348,284	5,976,081	94.14	261,625	6,237,706	98.26	310,705	4.89
2002	5,959,139	5,706,268	95.76	177,174	5,883,442	98.73	503,797	8.45
2001	4,997,555	4,299,714	86.04	125,415	4,425,129	97.17	300,577	6.99
2000	4,740,761	4,638,556	97.84	148,336	4,786,892	99.04	194,343	5.35
1999	4,682,349	4,444,745	94.93	132,616	4,577,361	97.76	253,532	5.41
1998	4,486,759	4,480,480	99.86	120,756	4,601,236	102.55	206,833	4.61
1997	3,903,084	3,664,371	93.88	99,159	3,763,530	96.42	231,061	5.92
1996	3,616,738	3,574,101	98.82	99,608	3,673,709	101.57	216,557	5.99
1995	3,594,847	3,453,927	96.08	185,501	3,639,428	101.24	200,406	5.57

Source: Muskingum County Auditor and Coshocton County Auditor

Information is presented on a calendar year basis because that is the way it is maintained by the County Auditors.

**Assessed and Estimated Actual Values of Taxable Property
(Muskingum and Coshocton Counties)
Last Ten Years**

Collection Year	Real Property (1)		Public Utilities - Personal		Tangible Personal Property		Totals		
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2004	\$238,248,100	\$680,708,857	\$24,355,410	\$24,355,410	\$32,975,398	\$137,397,492	\$295,578,908	\$842,461,759	35%
2003	218,015,220	622,900,629	25,689,070	25,689,070	33,242,720	132,970,880	276,947,010	781,560,579	35
2002	211,231,990	603,519,971	20,736,920	20,736,920	30,886,255	123,545,020	262,855,165	747,801,911	35
2001	204,726,010	584,931,457	28,338,550	28,338,550	26,512,560	106,050,240	259,577,120	719,320,247	37
2000	156,318,600	446,624,571	26,747,200	26,747,200	21,287,330	85,149,320	204,353,130	558,521,091	37
1999	152,126,620	434,647,486	26,873,090	26,873,090	21,709,255	86,837,020	200,708,965	548,357,596	37
1998	147,804,160	422,297,660	26,002,780	26,002,780	19,473,105	55,637,443	193,280,045	503,937,823	38
1997	123,240,770	352,116,486	25,502,960	25,502,960	17,011,265	48,603,614	165,754,995	426,223,060	39
1996	118,143,760	337,553,600	25,520,140	25,520,140	11,756,440	47,025,760	155,420,340	410,099,500	38
1995	112,128,920	320,368,343	26,435,710	26,435,710	11,147,231	44,588,924	149,711,861	391,392,977	38

**Source: Muskingum County Auditor and Coshocton County Auditor
(1) Real Property values include Public Utility Real Property**

**Property Tax Rates - Direct and All Overlapping Governments
(Per Thousand Dollars of Assessed Value)
Last Ten Years**

School District	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Tri-Valley	\$35.55	\$35.55	\$35.55	\$35.55	\$35.55	\$35.55	\$35.55	\$40.45	\$40.45	\$40.55
County Units										
General Fund	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15
T. B. Clinic	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
Mental Retardation and Developmental Disabilities	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
County Home	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Mental Health	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Children Service	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Library Bond	.80	.80	.70	.70	.70	.70	.50	.10	.00	.00
Senior Services	0.00	0.00	0.00	.50	.50	.50	.50	.50	.50	.50
Sheriffs Operating	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50
TOTAL COUNTY	13.85	13.85	13.75	14.25	14.25	14.25	14.05	13.65	13.55	13.55
Special Districts										
Muskingum County General Health District	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00
Joint Vocational School Districts										
Mid-East Ohio (1)	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.26

(1) Formerly Muskingum Area Joint Vocational School

(Continued)

Property Tax Rates - Direct and All Overlapping Governments (Continued)
(Per Thousand Dollars of Assessed Value)
Last Ten Years

Corporations	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Adamsville	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65
Dresden - Cass Township	4.40	4.30	4.10	3.70	3.70	3.70	4.00	3.90	3.90	3.90
Dresden - Jefferson Township	5.35	5.25	5.05	4.65	4.65	4.65	4.95	4.85	4.85	4.85
Frazeyburg - Jackson Township	8.15	8.15	5.15	5.15	5.15	5.15	7.15	7.15	7.15	7.15
Townships										
Adams	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Cass	3.45	3.25	3.25	2.00	3.25	3.25	2.75	2.75	3.25	3.25
Falls	3.35	3.35	3.35	3.35	3.65	3.65	3.65	3.65	3.65	3.65
Jackson	4.65	6.65	6.65	6.85	6.85	6.85	6.85	6.85	6.85	6.85
Jefferson	3.90	3.40	3.40	3.40	3.40	3.40	2.40	2.40	2.40	2.40
Licking	5.75	5.75	5.75	6.25	6.25	6.25	6.25	4.75	5.75	5.75
Madison	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	4.00
Muskingum	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	4.00	4.00
Salem	3.55	3.55	3.55	3.55	3.55	3.55	3.55	3.55	3.55	3.55
Washington	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15
Zanesville	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40

Source: Muskingum County Auditor and Coshocton County Auditor

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Ratio of Net General Obligation Bonded Debt to Assessed Value
and Net General Obligation Bonded Debt Per Capita
Last Ten Years**

Year	Net General Bonded Debt (1)	Assessed Value (2)	Population (3)	Ratio of Net Debt to Assessed Value	Net Debt Per Capita
2004	\$17,095,946	\$295,578,908	15,446	17.29%	\$1,107
2003	17,492,490	276,947,010	15,446	15.83	1,132
2002	17,778,975	262,855,165	15,446	14.78	1,151
2001	0	259,577,120	15,446	0.00	0
2000	0	204,353,130	15,446	0.00	0
1999	0	200,708,965	13,726	0.00	0
1998	0	193,280,045	13,726	0.00	0
1997	0	165,754,995	13,726	0.00	0
1996	0	155,420,340	13,726	0.00	0
1995	0	149,711,861	13,726	0.00	0

(1) Includes all general obligation bonded debt payable from property taxes.

(2) Source: County Auditor

(3) Source: U.S. Bureau of Census, Census of Population.

TRI-VALLEY LOCAL SCHOOL DISTRICT

Computation of Legal Debt Margin

June 30, 2004

Assessed Valuation	<u>\$295,578,908</u>
Bonded Debt Limitation - 9% of Assessed Valuation (1)	\$26,602,102
Amount of Debt Applicable to Debt Limit	(17,985,000)
Amount Available in Debt Service Fund	889,054
Overall Debt Margin	<u>\$9,506,156</u>
Bonded Debt Limitation - .10% of Assessed Valuation (1)	\$295,579
Amount of Debt Applicable to Debt Limit	0
Unvoted Debt Margin	<u>\$295,579</u>

(1) Ohio Bond Law sets a limit of 9% of assessed value for all debt (voted and unvoted) and 1/10 of 1% for unvoted debt.

Source: Muskingum County Auditor and School District Financial Records

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Computation of Direct and Overlapping
Net General Obligation Debt
June 30, 2004**

Political Subdivision	Net Debt Outstanding (1)	Percent Applicable to School District	Amount Applicable to School District
Tri-Valley Local School District	\$ 17,095,946	100.00%	\$17,095,946
Muskingum County (2)	15,076,670	20.43	3,080,164
Mid-East Ohio Joint Vocational School	197,292	10.90	21,505
Overlapping Debt	\$15,273,962		\$3,101,669
Total Amount Applicable to School District	\$32,369,908	62.94%	\$20,197,615

Source: Muskingum County Auditor and Coshocton County Auditor

(1) Amount includes only general obligation bonds payable from property taxes.

(2) Outstanding debt balances as of December 31, 2003, the latest information available.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Ratio of Annual Debt Service Expenditures for General
Obligation Bonded Debt to Total General Fund Expenditures
Last Ten Fiscal Years**

Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures (1)	Ratio of Debt Service to General Fund Expenditures
2004	\$235,000	\$916,580	\$1,151,580	\$19,784,525	5.82%
2003	280,000	922,080	1,202,080	17,804,271	6.75
2002	0	195,326	195,326	17,310,716	1.13
2001	0	0	0	15,419,599	0.00
2000	0	0	0	13,788,433	0.00
1999	0	0	0	13,532,341	0.00
1998	0	0	0	12,199,675	0.00
1997	0	0	0	12,028,363	0.00
1996	0	0	0	11,576,873	0.00
1995	0	0	0	10,581,224	0.00

(1) Includes Other Financing Uses

Source: School District Financial Records

**Assessed Real Property Values, New Construction
and Bank Deposits
Last Ten Years**

Year	New Construction				Bank Deposits	Real Property Value				
	Agricultural/ Residential	Commercial/ Industrial	Total New Construction	Commercial/ Industrial (1)		Agricultural/ Residential	Commercial/ Industrial (1)	Public Utility	Total Taxable	Tax Exempt
2003	\$5,513,490	\$404,290	\$5,917,780	\$421,153,000	\$197,488,820	\$40,559,610	\$199,670	\$238,248,100	\$32,065,345	
2002	3,848,990	1,080,080	4,929,070	402,085,000	180,218,790	37,601,170	195,260	218,015,220	31,248,580	
2001	3,983,330	2,877,950	6,861,280	1,508,212,000	175,453,920	35,588,280	189,790	211,231,990	25,732,980	
2000	5,495,420	8,872,740	14,368,160	1,475,951,000	171,672,280	32,857,360	196,370	204,726,010	18,589,610	
1999	4,463,260	804,780	6,072,820	1,135,931,000	130,662,280	25,423,960	232,360	156,318,600	10,110,400	
1998	4,349,230	1,255,370	5,604,600	1,106,444,000	127,865,690	23,994,370	266,560	152,126,620	7,557,190	
1997	3,787,050	414,320	4,201,370	660,855,000	124,013,390	23,508,290	282,480	147,804,160	7,483,880	
1996	3,587,700	1,620,690	5,208,370	341,890,000	101,840,600	22,034,220	269,050	123,240,770	7,424,330	
1995	3,455,110	1,597,450	5,052,560	289,095,000	96,930,430	21,005,260	208,070	118,143,760	7,381,470	
1994	2,018,600	831,380	2,849,980	300,277,000	93,643,020	18,255,990	229,910	112,128,920	5,897,020	

(1) Amount includes mineral lands and rights.

Note: Table reflects tax year, not collection year.

Source: Muskingum County Auditor

**Demographic Statistics
Last Ten Years**

Year	Population	Per Capita Income	Median Age	Education Level in Formal Schooling	School Enrollment	Unemployment Rate (%)
2003	15,446	\$24,294	33	12.9	3,149	7.40%
2002	15,446	22,055	33	12.9	3,073	6.40
2001	15,446	27,330	33	13.0	3,077	5.90
2000	15,446	27,231	33	12.8	3,068	5.80
1999	13,726	27,445	33	12.9	3,031	6.54
1998	13,726	21,686	33	12.9	2,983	6.97
1997	13,726	18,968	31	12.9	2,977	6.83
1996	13,726	18,204	32	13.0	2,983	7.99
1995	13,726	16,903	31	12.9	2,999	7.70
1994	13,726	15,795	31	12.9	2,930	6.20

Source: Bureau of the Census, District Records

TRI-VALLEY LOCAL SCHOOL DISTRICT

Principal Property Taxpayers

Real Property	Assessed Valuation (1)	% of Total Assessed Valuation
Longaberger Company	\$17,654,840	7.41%
Ohio Power Company	10,375,900	4.36
DGC Properties	3,282,240	1.38
Columbus Southern Power	2,666,860	1.12
North Coast Energy	2,307,640	.97
Ray Thomas Lumbertown	1,541,650	.65
Dominion Transmission	1,524,690	.64
Guernsey-Muskingum Electric	1,271,460	.53
National Gas and Oil	1,269,170	.52
MCI Telecommunications	1,131,460	.48
Total Assessed Value	\$43,025,910	18.06%
Tangible Personal Property		
Longaberger Inc.	\$19,604,700	34.20%
DolgenCorp Inc.	10,182,400	17.76
Shelly Holding Co.	821,160	1.43
Ohio Plastics Company	712,760	1.24
Williams Management Group Inc.	429,700	.75
R F Scurlock Co	421,600	.74
OMCO Building Corp	343,940	.60
James King	336,650	.58
Wendys International Inc.	302,720	.53
NGO Propane Cooperative	274,140	.48
Total Assessed Value	\$33,429,770	58.31%

(1) Assessed values are for the 2004 collection year.

Source: Muskingum and Coshocton County Auditors

**Enrollment Statistics
Last Ten Fiscal Years**

Year	General Fund Expenditures (1)	Average Daily Student Enrollment	Per Pupil Cost
2004	\$19,784,525	3,149	\$6,283
2003	17,804,271	3,073	5,794
2002	17,310,716	3,077	5,626
2001	15,419,599	3,068	5,026
2000	13,788,433	3,031	4,549
1999	13,532,341	2,983	4,536
1998	12,199,675	2,977	4,098
1997	12,028,363	2,983	4,032
1996	11,576,873	2,999	3,860
1995	10,581,224	2,930	3,611

Source: School District Financial Records.

(1) All years include other financing uses.

TRI-VALLEY LOCAL SCHOOL DISTRICT

Teacher Education and Experience
 June 30, 2004

Degree	Number of Teachers	Percentage of Total
<i>Bachelor's Degree</i>	50	25%
<i>Bachelors with 150 hours</i>	52	25
<i>Master's Degree</i>	101	50
<i>Total</i>	203	100%

Years of Experience	Number of Teachers	Percentage of Total
<i>0 - 5</i>	40	20%
<i>6 - 10</i>	51	25
<i>11 and over</i>	112	55
<i>Total</i>	203	100%

Source: School District Personnel Records



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM 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
DECEMBER 30, 2004**