



**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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TUSCARAWAS COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Tuscarawas Valley Local School District
Tuscarawas County
2637 Tuscarawas Valley Road NE
Zoarville, Ohio 44656-2213

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tuscarawas Valley Local School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tuscarawas Valley Local School District, Tuscarawas County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2005, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule 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.

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 16, 2005

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Management's discussion and analysis of Tuscarawas Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets increased \$556,790. Net assets of governmental activities increased \$557,577, which represents a 22.54% increase from 2004. Net assets of business-type activities decreased \$787 or 2.28% from 2004.
- General revenues accounted for \$11,463,595 in revenue or 91.13% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,116,189 or 8.87% of total revenues of \$12,579,784.
- The District had \$11,956,801 in expenses related to governmental activities; \$1,116,189 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,463,595 were used to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$11,024,458 in revenues and \$11,604,385 in expenditures and other financing uses. The fund balance of the general fund decreased from \$1,559,212 to \$980,289.
- The debt service fund had \$683,244 in revenues and \$677,651 in expenditures. The fund balance of the debt service fund increased from \$549,871 to \$555,464.
- Net assets for the District's business-type activities decreased \$787 or 2.28%. The food service and uniform school supplies funds net assets deficit increased from (\$34,482) to (\$35,269) on expenses of \$599,527 versus revenues (both operating and non-operating) of \$533,334 and transfers in of \$65,406.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has three major funds: the general fund, debt service fund and food service fund. The general fund is by far the most significant fund.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take 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 is divided into two distinct kinds of activities:

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

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's food service and uniform school supplies programs are reported as business activities.

The District's statement of net assets and statement of activities can be found on pages 17-19 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10 and the analysis of the District's major and nonmajor enterprise funds begins on page 9. 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.

Governmental Funds

Most 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. The basic governmental fund financial statements can be found on pages 20-24 of this report.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Proprietary Funds

The proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole except for the portion of the excess charges for internal service. The basic proprietary fund financial statements can be found on pages 25-27 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 28. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-58 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2005 and 2004.

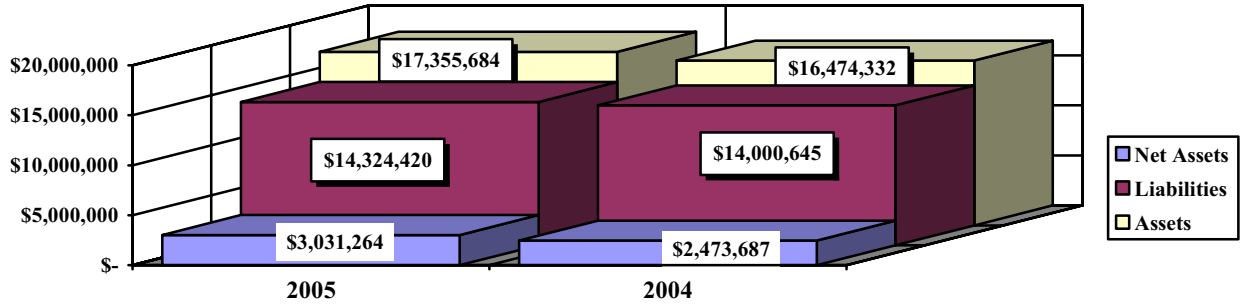
	Net Assets					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2005	2004	2005	2004	2005	2004
<u>Assets</u>						
Current assets	\$ 10,074,164	\$ 9,118,425	\$ 17,715	\$ 15,141	\$ 10,091,879	\$ 9,133,566
Capital assets	<u>7,281,520</u>	<u>7,355,907</u>	<u>60,076</u>	<u>70,949</u>	<u>7,341,596</u>	<u>7,426,856</u>
Total assets	<u>17,355,684</u>	<u>16,474,332</u>	<u>77,791</u>	<u>86,090</u>	<u>17,433,475</u>	<u>16,560,422</u>
<u>Liabilities</u>						
Current liabilities	7,128,700	6,445,906	65,245	74,499	7,193,945	6,520,405
Long-term liabilities	<u>7,195,720</u>	<u>7,554,739</u>	<u>47,815</u>	<u>46,073</u>	<u>7,243,535</u>	<u>7,600,812</u>
Total liabilities	<u>14,324,420</u>	<u>14,000,645</u>	<u>113,060</u>	<u>120,572</u>	<u>14,437,480</u>	<u>14,121,217</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	2,095,619	1,670,237	60,076	70,949	2,155,695	1,741,186
Restricted	794,247	654,897	-	-	794,247	654,897
Unrestricted	<u>141,398</u>	<u>148,553</u>	<u>(95,345)</u>	<u>(105,431)</u>	<u>46,053</u>	<u>43,122</u>
Total net assets	<u>\$ 3,031,264</u>	<u>\$ 2,473,687</u>	<u>\$ (35,269)</u>	<u>\$ (34,482)</u>	<u>\$ 2,995,995</u>	<u>\$ 2,439,205</u>

Total net assets increased by \$556,790 due primarily to an overall decrease in long-term obligations.

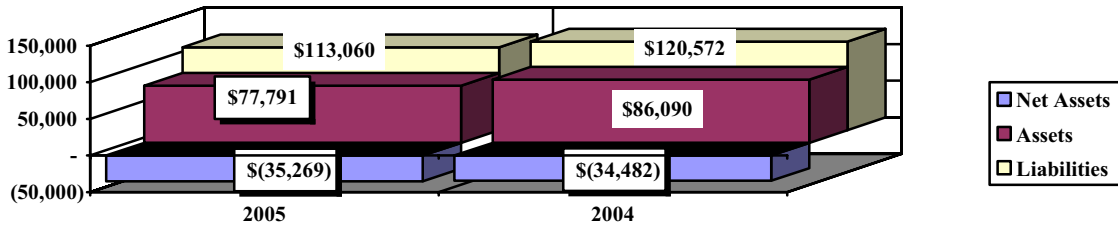
**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Governmental - Net Assets



Business-Type - Net Assets



The table below shows the changes in net assets for fiscal years 2005 and 2004.

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services and sales	\$ 452,190	\$ 348,254	\$ 409,252	\$ 362,925	\$ 861,442	\$ 711,179
Operating grants and contributions	647,409	563,985	124,082	158,348	771,491	722,333
Capital grants and contributions	16,590	-	-	-	16,590	-
General revenues:						
Property taxes	5,195,660	5,333,509	-	-	5,195,660	5,333,509
Grants and entitlements	6,198,956	6,191,979	-	-	6,198,956	6,191,979
Investment earnings	59,709	31,745	-	-	59,709	31,745
Miscellaneous	9,270	20,046	-	-	9,270	20,046
Total revenues	<u>12,579,784</u>	<u>12,489,518</u>	<u>533,334</u>	<u>521,273</u>	<u>13,113,118</u>	<u>13,010,791</u>

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Expenses						
Program expenses:						
Instruction:						
Regular	\$ 5,721,431	\$ 5,685,404	\$ -	\$ -	\$ 5,721,431	\$ 5,685,404
Special	697,186	700,221	-	-	697,186	700,221
Vocational	124,976	137,530	-	-	124,976	137,530
Support services:						
Pupil	540,416	495,319	-	-	540,416	495,319
Instructional staff	747,277	845,521	-	-	747,277	845,521
Board of education	31,912	26,225	-	-	31,912	26,225
Administration	946,804	1,040,542	-	-	946,804	1,040,542
Fiscal	309,600	295,173	-	-	309,600	295,173
Business	-	1,550	-	-	-	1,550
Operations and maintenance	1,116,978	1,147,696	-	-	1,116,978	1,147,696
Pupil transportation	884,971	894,533	-	-	884,971	894,533
Central	32,145	41,684	-	-	32,145	41,684
Operation of non-instructional services	22,416	22,418	-	-	22,416	22,418
Extracurricular activities	401,204	379,156	-	-	401,204	379,156
Interest and fiscal charges	379,485	400,610	-	-	379,485	400,610
Food service	-	-	536,341	513,031	536,341	513,031
Uniform school supplies	-	-	63,186	54,585	63,186	54,585
Total expenses	<u>11,956,801</u>	<u>12,113,582</u>	<u>599,527</u>	<u>567,616</u>	<u>12,556,328</u>	<u>12,681,198</u>
Changes in net assets before transfers	622,983	375,936	(66,193)	(46,343)	556,790	329,593
Transfers	<u>(65,406)</u>	<u>-</u>	<u>65,406</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	557,577	375,936	(787)	(46,343)	556,790	329,593
Net assets at beginning of year	<u>2,473,687</u>	<u>2,097,751</u>	<u>(34,482)</u>	<u>11,861</u>	<u>2,439,205</u>	<u>2,109,612</u>
Net assets at end of year	<u>\$ 3,031,264</u>	<u>\$ 2,473,687</u>	<u>\$ (35,269)</u>	<u>\$ (34,482)</u>	<u>\$ 2,995,995</u>	<u>\$ 2,439,205</u>

Governmental Activities

Net assets of the District's governmental activities increased by \$557,577. Total governmental expenses of \$11,956,801 were offset by program revenues of \$1,116,189, and general revenues of \$11,463,595. Program revenues supported 9.35% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 90.58% of total governmental revenue. Real estate property is reappraised every six years. As a result of the latest reappraisal by Tuscarawas County in tax year 2001, the District's tax valuation increased by 10% that year. Although recent growth has had a positive effect on the District's tax base, the full tax revenue impact has not been realized due to H.B. 920. This state law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property values. Increases in valuation prompt corresponding annual reductions in the "effective millage", the tax rates applied to real property. H.B. 920 also provided a "floor" of 20 mills to which "effective millage" would not be reduced below. The District is at the 20 mill floor for Residential Real Estate Tax. Thus, although District tax valuation continues to grow, this built-in revenue limitation is one of the factors that require the District to request additional school operating revenue by placing a levy on the ballot periodically.

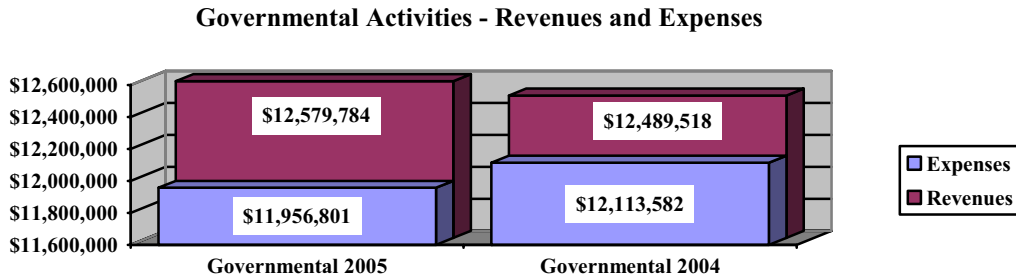
**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Voters approved the last additional operating levy in February 1997 which was a renewable 5 year emergency levy in the annual amount of \$947,500. This levy was also renewed in May 2002. This levy amount required 8 mills to be levied in 1997. In 2003 only 5.7 mills were required to be levied to generate \$947,500. This levy and all other current levies are expected to provide adequate revenue for general fund operating expenses through the fiscal year 2006. Unless there is an unexpected adjustment in State funding, an additional operating levy will be required in the next twelve to eighteen months.

The District's financial condition is solid as of the end of fiscal year 2005, but a trend of expenses exceeding revenues appears to have begun. This trend is expected to continue the next two years. The principal cause is stagnate growth in revenue coupled with major increases in health insurance costs, special education costs, and utility costs.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2005 and 2004.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses:				
Instruction:				
Regular	\$ 5,721,431	\$ 5,238,333	\$ 5,685,404	\$ 5,313,096
Special	697,186	563,726	700,221	582,889
Vocational	124,976	124,976	137,530	137,530

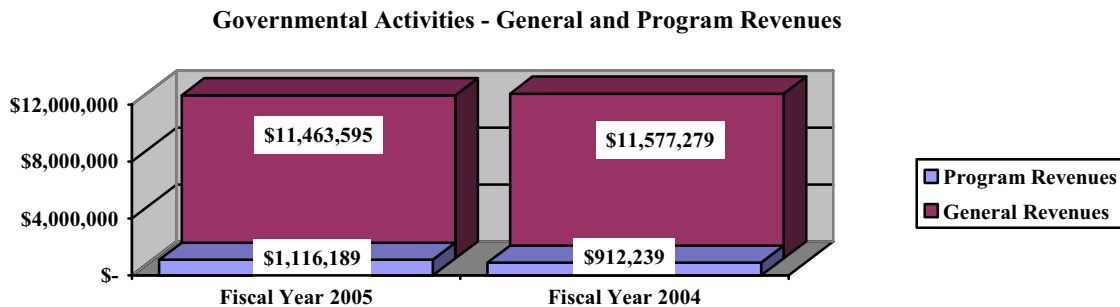
**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Support services:				
Pupil	\$ 540,416	\$ 480,909	\$ 495,319	\$ 465,056
Instructional staff	747,277	538,184	845,521	667,024
Board of Education	31,912	31,912	26,225	26,225
Administration	946,804	905,759	1,040,542	999,143
Fiscal	309,600	308,249	295,173	293,685
Business	-	-	1,550	1,550
Operations and maintenance	1,116,978	1,112,253	1,147,696	1,143,196
Pupil transportation	884,971	869,737	894,533	884,637
Central	32,145	17,145	41,684	26,684
Operation of non-instructional services	22,416	22,416	22,418	22,418
Extracurricular activities	401,204	247,528	379,156	237,600
Interest and fiscal charges	379,485	379,485	400,610	400,610
Total expenses	\$ 11,956,801	\$ 10,840,612	\$ 12,113,582	\$ 11,201,343

The dependence upon tax revenues during fiscal year 2005 for governmental activities is apparent, as 90.56% of 2005 instruction activities are supported through taxes and other general revenues. The District's taxpayers, as a whole, is by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.



Business-Type Activities

Business-type activities include food service and uniform school supplies operations. These programs had revenues of \$533,334, transfers in of \$65,406 and expenses of \$599,527 for fiscal year 2005. Business-type activities decreased \$787 in fiscal year 2005. The District's business-type activities do not receive support from tax revenues. The activities of the major Food Service fund are presented on pages 25-27.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The District's Governmental Funds

The District's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$1,663, 074, which is below last year's total of \$2,196,623. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	Restated Fund Balance <u>June 30, 2004</u>	Increase <u>(Decrease)</u>
General	\$ 980,289	\$ 1,559,212	\$ (578,923)
Debt Service	555,464	549,871	5,593
Other Governmental	<u>127,321</u>	<u>87,540</u>	<u>39,781</u>
Total	<u>\$ 1,663,074</u>	<u>\$ 2,196,623</u>	<u>\$ (533,549)</u>

General Fund

The District's general fund balance decreased \$578,923 during 2005. This was due to several different factors. First, revenues decreased by 0.43%. Next, our expenditures increased by 3.32% which is higher than revenue growth.

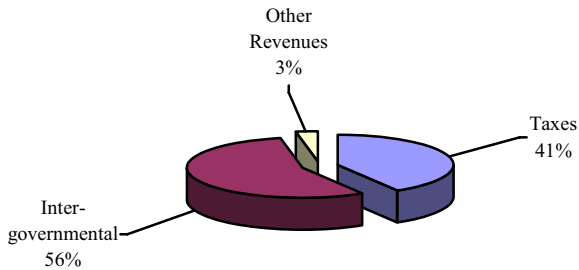
	<u>2005 Amount</u>	<u>2004 Amount</u>	<u>Percentage Change</u>
Revenues			
Taxes	\$ 4,561,594	\$ 4,693,420	(2.81) %
Intergovernmental	6,130,579	6,123,932	0.11 %
Other revenues	<u>332,285</u>	<u>255,069</u>	30.27 %
Total	<u>\$ 11,024,458</u>	<u>\$ 11,072,421</u>	(0.43) %

Tax revenue decreased by \$131,826 or 2.81% from fiscal 2004. Intergovernmental revenue increased \$6,647 or 0.11% from the prior year. This increase is attributed to an increase in the number of grants the district received in 2005. Other revenues increased \$77,216 or 30.27% partially due to a \$65,979 increase in tuition income.

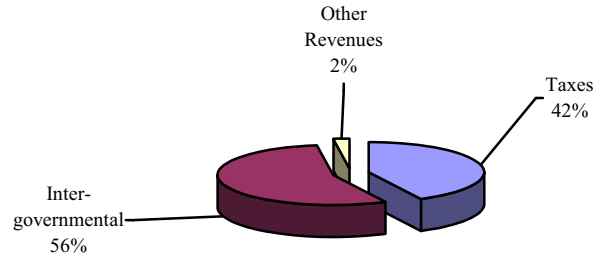
**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Revenues - Fiscal Year 2005



Revenues - Fiscal Year 2004



The table that follows assists in illustrating the expenditures of the general fund.

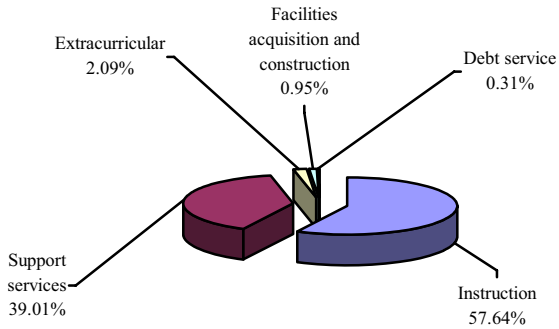
<u>Expenditures</u>	<u>2005</u> <u>Amount</u>	<u>Restated</u> <u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Instruction	\$ 6,640,085	\$ 6,360,889	4.39 %
Support services	4,494,147	4,376,598	2.69 %
Extracurricular activities	241,122	237,914	1.35 %
Facilities acquisition and construction	109,207	139,186	(21.54) %
Debt service	<u>35,733</u>	<u>35,733</u>	- %
Total	<u>\$ 11,520,294</u>	<u>\$ 11,150,320</u>	3.32 %

The largest expenditure line item, instruction, increased by \$279,196 or 4.39%, which is primarily attributed to wage and benefit increases.

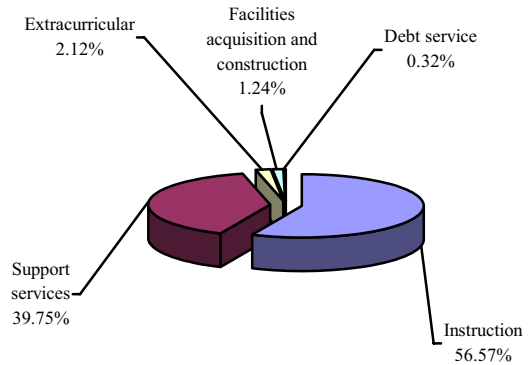
**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Expenditures - Fiscal Year 2005



Expenditures - Fiscal Year 2004



Debt Service Fund

The debt service fund had \$683,244 in revenues and \$677,651 in expenditures. The fund balance of the debt service fund increased \$5,593 from \$549,871 to \$555,464.

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 2005, the District amended its general fund budget several times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original budgeted revenues and other financing sources were \$11,397,930. Final budgeted revenues of \$11,347,930 were \$7,642, below actual revenues and other financing sources of \$11,355,572. Of this \$7,642 difference, most was due to tax and tuition estimates in the original and final budget.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$11,857,656 and final appropriations were \$12,064,963. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$12,064,785, which was \$178 less than the final budget appropriations.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Capital Assets and Debt Administration

Capital Assets

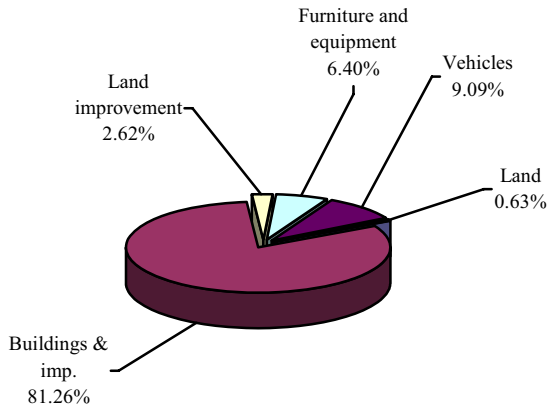
At the end of fiscal 2005, the District had \$7,341,596 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. The following table shows fiscal 2005 balances compared to 2004:

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

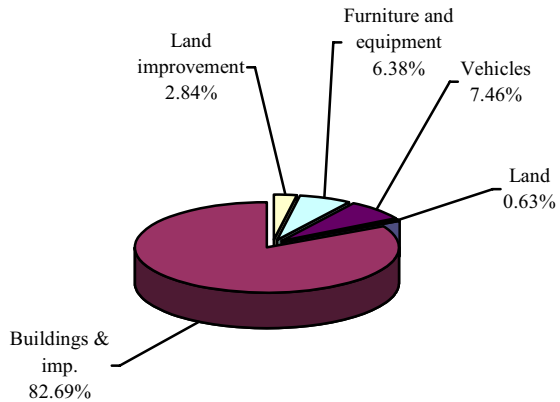
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 46,031	\$ 46,031	\$ -	\$ -	\$ 46,031	\$ 46,031
Land improvements	190,532	208,718	-	-	190,532	208,718
Buildings and improvements	5,917,585	6,082,710	-	-	5,917,585	6,082,710
Furniture and equipment	465,810	469,532	60,076	70,949	525,886	540,481
Vehicles	661,562	548,916	-	-	661,562	548,916
Total	\$ 7,281,520	\$ 7,355,907	\$ 60,076	\$ 70,949	\$ 7,341,596	\$ 7,426,856

The following graphs show the breakdown of governmental activities capital assets by category for 2005 and 2004.

**Capital Assets - Governmental Activities
2005**



**Capital Assets - Governmental Activities
2004**



See Note 8 to the basic financial statements for detail on the District's capital assets.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Debt Administration

At June 30, 2005 the District had \$5,912,623 in general obligation bonds and, \$260,000 in energy conservation loans outstanding. Of the total outstanding debt, \$495,000 is due within one year and \$5,677,623 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
General obligation bonds:		
Current interest bonds	\$ 3,865,000	\$ 4,265,000
Capital appreciation bonds	2,047,623	1,868,016
Energy conservation loans	<u>260,000</u>	<u>330,000</u>
Total	<u>\$ 6,172,623</u>	<u>\$ 6,463,016</u>

The District issued the general obligation various purpose refunding bonds in 1999. The bond issue is comprised of current interest and capital appreciation bonds. The annual interest rate ranges from 3.40% to 5.35% and the bonds are scheduled to mature in fiscal 2020.

The District issued the energy conservation loans in 1997 and 2000 in anticipation of energy cost savings. The annual interest rates range from 5.70% to 5.90% and the scheduled maturity is fiscal year 2011.

At June 30, 2005 the District's overall legal debt margin was \$11,243,877 (including available funds of \$549,871) and an unvoted debt margin of \$176,989.

See Note 10 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

As the preceding information shows, the District relies heavily upon grants, entitlements, and property taxes. While these combined revenues increased by only .0072% in fiscal year 2005, the District's overall expenditures increased by 1.47%. This caused a decrease in the general fund balance by \$578,923. This is the third year of the trend in which expenditures exceeded receipts. It is projected that with the current fund balance, the District will have the necessary funds to meet its operating expenditures through fiscal year 2008. In order to maintain the current curricular and co-curricular programs for our students, an additional operating levy will be required by the end of calendar year 2007 at the latest.

The District's Management must continue to provide the resources necessary to meet student needs while diligently planning expenditures and staying within the five-year plan. The key to passing an additional tax levy in this economic climate is to inform our voters why the need is necessary. We will need to provide assurance that the District is prudent with the voters' tax dollars. We will also explain that ever since the DeRolph case declared the current funding formula unconstitutional, the State has been directing additional revenue to low property wealth districts and not districts such as ours. The only way that districts such as ours can anticipate additional funding is through local property tax levies.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT' S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Ms. Lori Statler, Treasurer, Tuscarawas Valley Local School District, 2637 Tuscarawas Valley Road NE, Zoarville, Ohio 44656.

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**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents. . .	\$ 2,595,917	\$ 60,013	\$ 2,655,930
Cash with fiscal agent	1,091,702	-	1,091,702
Receivables:			
Taxes	6,183,304	-	6,183,304
Accounts	3,425	-	3,425
Intergovernmental	67,025	-	67,025
Internal loan	49,038	(49,038)	-
Prepayments	32,455	-	32,455
Materials and supplies inventory	51,298	6,740	58,038
Capital assets:			
Land	46,031	-	46,031
Depreciable capital assets, net	7,235,489	60,076	7,295,565
Capital assets, net.	<u>7,281,520</u>	<u>60,076</u>	<u>7,341,596</u>
Total assets.	<u>17,355,684</u>	<u>77,791</u>	<u>17,433,475</u>
Liabilities:			
Accounts payable.	40,304	3,759	44,063
Accrued wages and benefits	1,097,488	44,357	1,141,845
Pension obligation payable.	263,027	16,202	279,229
Intergovernmental payable	29,528	927	30,455
Deferred revenue	5,429,970	-	5,429,970
Accrued interest payable	23,405	-	23,405
Claims payable	244,978	-	244,978
Long-term liabilities:			
Due within one year.	639,703	9,880	649,583
Due within more than one year	6,556,017	37,935	6,593,952
Total liabilities.	<u>14,324,420</u>	<u>113,060</u>	<u>14,437,480</u>
Net Assets:			
Invested in capital assets, net of related debt.	2,095,619	60,076	2,155,695
Restricted for:			
Capital projects	154	-	154
Debt service.	597,408	-	597,408
Locally funded programs	5,690	-	5,690
State funded programs	13,215	-	13,215
Federally funded programs	5,530	-	5,530
Student activities	53,734	-	53,734
Other purposes	118,516	-	118,516
Unrestricted (deficit)	<u>141,398</u>	<u>(95,345)</u>	<u>46,053</u>
Total net assets (deficit).	<u>\$ 3,031,264</u>	<u>\$ (35,269)</u>	<u>\$ 2,995,995</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Program Revenues Operating Grants and Contributions</u>
Governmental activities:			
Instruction:			
Regular	\$ 5,721,431	\$ 293,187	\$ 173,321
Special	697,186	-	133,460
Vocational	124,976	-	-
Support services:			
Pupil.	540,416	-	59,507
Instructional staff	747,277	602	208,491
Board of education	31,912	-	-
Administration.	946,804	-	41,045
Fiscal.	309,600	-	1,351
Operations and maintenance	1,116,978	4,725	-
Pupil transportation	884,971	-	15,234
Central	32,145	-	15,000
Operation of non-instructional services	22,416	-	-
Extracurricular activities.	401,204	153,676	-
Interest and fiscal charges	379,485	-	-
Total governmental activities	<u>11,956,801</u>	<u>452,190</u>	<u>647,409</u>
Business-type activities:			
Food service.	536,341	346,025	124,082
Uniform school supplies.	63,186	63,227	-
Total business-type activities	<u>599,527</u>	<u>409,252</u>	<u>124,082</u>
Totals	<u>\$ 12,556,328</u>	<u>\$ 861,442</u>	<u>\$ 771,491</u>

General Revenues:

Property taxes levied for:	
General purposes	
Debt service.	
Grants and entitlements not restricted to specific programs.	
Investment earnings	
Miscellaneous	
Total general revenues	
Transfers	
Total general revenues and transfers.	
Change in net assets	
Net assets (deficit) at beginning of year . . .	
Net assets (deficit) at end of year.	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
\$ 16,590	\$ (5,238,333)	\$ -	\$ (5,238,333)
-	(563,726)	-	(563,726)
-	(124,976)	-	(124,976)
-	(480,909)	-	(480,909)
-	(538,184)	-	(538,184)
-	(31,912)	-	(31,912)
-	(905,759)	-	(905,759)
-	(308,249)	-	(308,249)
-	(1,112,253)	-	(1,112,253)
-	(869,737)	-	(869,737)
-	(17,145)	-	(17,145)
-	(22,416)	-	(22,416)
-	(247,528)	-	(247,528)
-	(379,485)	-	(379,485)
16,590	(10,840,612)	-	(10,840,612)
-	-	(66,234)	(66,234)
-	-	41	41
-	-	(66,193)	(66,193)
<u>\$ 16,590</u>	<u>(10,840,612)</u>	<u>(66,193)</u>	<u>(10,906,805)</u>
	4,581,890	-	4,581,890
	613,770	-	613,770
	6,198,956	-	6,198,956
	59,709	-	59,709
	9,270	-	9,270
	11,463,595	-	11,463,595
	(65,406)	65,406	-
	11,398,189	65,406	-
	557,577	(787)	556,790
	2,473,687	(34,482)	2,439,205
	<u>\$ 3,031,264</u>	<u>\$ (35,269)</u>	<u>\$ 2,995,995</u>

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,807,157	\$ 521,923	\$ 152,504	\$ 2,481,584
Receivables:				
Taxes.	5,591,360	591,944	-	6,183,304
Accounts	3,425	-	-	3,425
Intergovernmental	-	-	67,025	67,025
Interfund loans	105,045	-	-	105,045
Prepayments.	32,455	-	-	32,455
Materials and supplies inventory	51,298	-	-	51,298
Restricted assets:				
Equity in pooled cash and cash equivalents	114,333	-	-	114,333
Total assets	<u>\$ 7,705,073</u>	<u>\$ 1,113,867</u>	<u>\$ 219,529</u>	<u>\$ 9,038,469</u>
Liabilities:				
Accounts payable	\$ 38,410	\$ -	\$ 1,894	\$ 40,304
Accrued wages and benefits	1,032,026	-	65,462	1,097,488
Compensated absences payable	82,469	-	-	82,469
Pension obligation payable.	249,788	-	13,239	263,027
Intergovernmental payable.	27,660	-	1,868	29,528
Deferred revenue.	5,294,431	558,403	9,745	5,862,579
Total liabilities	<u>6,724,784</u>	<u>558,403</u>	<u>92,208</u>	<u>7,375,395</u>
Fund Balances:				
Reserved for encumbrances	291,918	-	20,184	312,102
Reserved for materials and supplies inventories.	51,298	-	-	51,298
Reserved for prepayments	32,455	-	-	32,455
Reserved for debt service	-	521,923	-	521,923
Reserved for property tax unavailable for appropriation	296,929	33,541	-	330,470
Reserved for textbooks.	114,333	-	-	114,333
Unreserved, undesignated, reported in:				
General fund	193,356	-	-	193,356
Special revenue funds.	-	-	106,983	106,983
Capital projects funds.	-	-	154	154
Total fund balances	<u>980,289</u>	<u>555,464</u>	<u>127,321</u>	<u>1,663,074</u>
Total liabilities and fund balances	<u>\$ 7,705,073</u>	<u>\$ 1,113,867</u>	<u>\$ 219,529</u>	<u>\$ 9,038,469</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total governmental fund balances		\$	1,663,074
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			7,281,520
Other long-term assets (taxes) are not available to pay for current period expenditures and therefore are deferred in the funds.			
Taxes	\$	422,864	
Intergovernmental revenue		9,745	
Total			432,609
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, including internal balances are:			790,717
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(23,405)
Long-term liabilities, including bonds, loans and capital leases payable are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(849,709)	
General obligation bonds payable		(5,912,623)	
Energy conservation loan payable		(260,000)	
Capital lease obligation payable		(90,919)	
Total			(7,113,251)
Net assets of governmental activities		\$	3,031,264

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 4,561,594	\$ 614,867	\$ -	\$ 5,176,461
Tuition.	264,586	-	-	264,586
Earnings on investments.	53,102	-	-	53,102
Classroom materials and fees	4,661	-	-	4,661
Extracurricular.	9,936	-	117,721	127,657
Other local revenues.	-	-	64,556	64,556
Intergovernmental - State	6,130,579	68,377	186,045	6,385,001
Intergovernmental - Federal.	-	-	468,209	468,209
Total revenue	<u>11,024,458</u>	<u>683,244</u>	<u>836,531</u>	<u>12,544,233</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,886,473	-	206,588	6,093,061
Special.	622,862	-	122,932	745,794
Vocational.	130,750	-	-	130,750
Support Services:				
Pupil.	508,874	-	57,324	566,198
Instructional staff	597,181	-	202,119	799,300
Board of education	31,912	-	-	31,912
Administration.	939,586	-	43,258	982,844
Fiscal	303,176	10,851	2,523	316,550
Operations and maintenance.	1,095,433	-	-	1,095,433
Pupil transportation	1,001,580	-	14,857	1,016,437
Central.	16,405	-	15,740	32,145
Extracurricular activities.	241,122	-	150,094	391,216
Facilities acquisition and construction	109,207	-	-	109,207
Debt service:				
Principal retirement	29,770	470,000	-	499,770
Interest and fiscal charges	5,963	196,800	-	202,763
Total expenditures	<u>11,520,294</u>	<u>677,651</u>	<u>815,435</u>	<u>13,013,380</u>
Excess of revenues under expenditures	<u>(495,836)</u>	<u>5,593</u>	<u>21,096</u>	<u>(469,147)</u>
Other financing sources (uses):				
Transfers in.	-	-	18,685	18,685
Transfers (out)	(84,091)	-	-	(84,091)
Total other financing sources	<u>(84,091)</u>	<u>-</u>	<u>18,685</u>	<u>(65,406)</u>
Net change in fund balances	(579,927)	5,593	39,781	(534,553)
Fund balances at beginning of year (restated)	1,559,212	549,871	87,540	2,196,623
Increase in reserve for inventory.	1,004	-	-	1,004
Fund balances at end of year	<u>\$ 980,289</u>	<u>\$ 555,464</u>	<u>\$ 127,321</u>	<u>\$ 1,663,074</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$	(534,553)
<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 expense exceeds capital outlays in the current period.		
Capital asset additions	190,192	
Current year depreciation	<u>(257,258)</u>	
Total		(67,066)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(7,321)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		1,004
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	19,199	
Intergovernmental revenue	<u>9,745</u>	
Total		28,944
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		499,770
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
Accrued interest	2,885	
Accreted interest on capital appreciation bonds	<u>(179,607)</u>	
Total		(176,722)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		38,372
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 (expense) of the internal service funds, including internal balances, is allocated among the governmental activities.		
		<u>775,149</u>
Change in net assets of governmental activities	\$	<u>557,577</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 4,964,478	\$ 4,942,700	\$ 4,887,309	\$ (55,391)
Tuition	198,407	197,537	261,161	63,624
Earnings on investments	32,141	32,000	53,102	21,102
Classroom materials and fees	2,511	2,500	4,661	2,161
Other local revenues	9,843	9,800	18,760	8,960
Intergovernmental - State	<u>6,190,550</u>	<u>6,163,393</u>	<u>6,130,579</u>	<u>(32,814)</u>
Total revenue	<u>11,397,930</u>	<u>11,347,930</u>	<u>11,355,572</u>	<u>7,642</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,945,391	6,050,307	5,973,817	76,490
Special	598,199	608,755	631,637	(22,882)
Vocational	147,794	150,402	134,492	15,910
Support services:				
Pupil	468,411	476,677	508,791	(32,114)
Instructional staff	583,963	594,268	632,339	(38,071)
Board of education	22,799	23,201	36,421	(13,220)
Administration	984,951	1,002,332	935,145	67,187
Fiscal	304,016	309,381	301,694	7,687
Business	37,341	38,000	35,733	2,267
Operations and maintenance	1,039,044	1,057,380	1,104,407	(47,027)
Pupil transportation	1,100,527	1,119,948	1,031,062	88,886
Central	21,974	22,362	16,405	5,957
Extracurricular activities	243,896	248,200	241,490	6,710
Facilities acquisition and construction	249,350	253,750	309,191	(55,441)
Debt service:				
Principal retirement	70,000	70,000	70,000	-
Interest and fiscal charges	<u>20,000</u>	<u>20,000</u>	<u>18,070</u>	<u>1,930</u>
Total expenditures	<u>11,837,656</u>	<u>12,044,963</u>	<u>11,980,694</u>	<u>64,269</u>
Excess of revenues over (under) expenditures	<u>(439,726)</u>	<u>(697,033)</u>	<u>(625,122)</u>	<u>71,911</u>
Other financing sources (uses):				
Transfers (out)	-	-	(84,091)	(84,091)
Advances (out)	<u>(20,000)</u>	<u>(20,000)</u>	-	<u>20,000</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(84,091)</u>	<u>(64,091)</u>
Net change in fund balance	(459,726)	(717,033)	(709,213)	7,820
Fund balance at beginning of year	1,984,584	1,984,584	1,984,584	-
Prior year encumbrances appropriated	342,525	342,525	342,525	-
Fund balance at end of year	<u>\$ 1,867,383</u>	<u>\$ 1,610,076</u>	<u>\$ 1,617,896</u>	<u>\$ 7,820</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Service	Nonmajor Enterprise Fund	Total	
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 13,484	\$ 46,529	\$ 60,013	\$ -
Cash with fiscal agent	-	-	-	1,091,702
Receivables:				
Materials and supplies inventory	6,740	-	6,740	-
Total current assets	20,224	46,529	66,753	1,091,702
Noncurrent assets:				
Capital assets, net.	60,076	-	60,076	-
Total assets	80,300	46,529	126,829	1,091,702
Liabilities:				
Accounts payable.	1,189	2,570	3,759	-
Accrued wages and benefits	44,357	-	44,357	-
Pension obligation payable.	16,202	-	16,202	-
Interfund loan payable	105,045	-	105,045	-
Intergovernmental payable	927	-	927	-
Current portion of compensated absences . .	9,880	-	9,880	-
Claims payable	-	-	-	244,978
Total liabilities	177,600	2,570	180,170	244,978
Long-term liabilities:				
Compensated absences.	37,935	-	37,935	-
Total liabilities	215,535	2,570	218,105	244,978
Net assets:				
Invested in capital assets	60,076	-	60,076	-
Unrestricted (deficit)	(195,311)	43,959	(151,352)	846,724
Total net assets (deficit)	\$ (135,235)	\$ 43,959	(91,276)	\$ 846,724
Adjustment to reflect the consolidation of the internal service fund activity related to enterprise funds.			56,007	
Net assets (deficit) of business-type activities.			\$ (35,269)	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	Food Service	Nonmajor Enterprise Fund	Total	
Operating revenues:				
Tuition and fees	\$ -	\$ 63,227	\$ 63,227	\$ -
Sales/charges for services	333,222	-	333,222	2,249,961
Total operating revenues	<u>333,222</u>	<u>63,227</u>	<u>396,449</u>	<u>2,249,961</u>
Operating expenses:				
Personal services	356,813	-	356,813	221,947
Purchased services	3,332	-	3,332	-
Materials and supplies	186,413	63,186	249,599	-
Depreciation	10,873	-	10,873	-
Claims expense	-	-	-	1,238,382
Total operating expenses	<u>557,431</u>	<u>63,186</u>	<u>620,617</u>	<u>1,460,329</u>
Operating income (loss)	<u>(224,209)</u>	<u>41</u>	<u>(224,168)</u>	<u>789,632</u>
Nonoperating revenues:				
Federal donated commodities	12,803	-	12,803	-
Interest revenue	-	-	-	6,607
Operating grants	124,082	-	124,082	-
Total nonoperating revenues	<u>136,885</u>	<u>-</u>	<u>136,885</u>	<u>6,607</u>
Income (loss) before transfers	(87,324)	41	(87,283)	796,239
Transfer in	<u>65,406</u>	<u>-</u>	<u>65,406</u>	<u>-</u>
Change in net assets	(21,918)	41	(21,877)	796,239
Net assets (deficit) at beginning of year . .	<u>(113,317)</u>	<u>43,918</u>		<u>50,485</u>
Net assets (deficit) at end of year	<u>\$ (135,235)</u>	<u>\$ 43,959</u>		<u>\$ 846,724</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.			<u>21,090</u>	
Changes in net assets of business-type activities.			<u>\$ (787)</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Food Service</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>	
Cash flows from operating activities:				
Cash received from tuition and fees	\$ -	\$ 63,227	\$ 63,227	\$ -
Cash received from sales/charges for services.	333,222	-	333,222	2,249,961
Cash payments for personal services	(365,917)	-	(365,917)	(221,947)
Cash payments for purchased services.	(6,429)	-	(6,429)	(1,233,418)
Cash payments for materials and supplies.	(167,905)	(62,783)	(230,688)	-
Net cash provided by (used in) operating activities	(207,029)	444	(206,585)	794,596
Cash flows from noncapital financing activities:				
Cash received from operating grants	140,073	-	140,073	-
Cash received from transfers in	65,406	-	65,406	-
Net cash provided by noncapital financing activities	205,479	-	205,479	-
Cash flows from investing activities:				
Interest received	-	-	-	6,607
Net cash provided by investing activities.	-	-	-	6,607
Net increase (decrease) in cash and cash equivalents.	(1,550)	444	(1,106)	801,203
Cash and cash equivalents at beginning of year.	<u>15,034</u>	<u>46,085</u>	<u>61,119</u>	<u>290,499</u>
Cash and cash equivalents at end of year	<u>\$ 13,484</u>	<u>\$ 46,529</u>	<u>\$ 60,013</u>	<u>\$ 1,091,702</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (224,209)	\$ 41	\$ (224,168)	\$ 789,632
Adjustments:				
Depreciation	10,873	-	10,873	-
Federal donated commodities.	12,803	-	12,803	-
Changes in assets and liabilities:				
Decrease in materials and supplies inventory.	1,419	-	1,419	-
Increase in accounts payable	1,189	403	1,592	-
Decrease in accrued wages and benefits.	(7,253)	-	(7,253)	-
Decrease in pension obligation payable	(3,112)	-	(3,112)	-
Decrease in intergovernmental payable	(481)	-	(481)	-
Increase in compensated absences payable.	1,742	-	1,742	-
Increase in claims payable	-	-	-	4,964
Net cash provided by (used in) operating activities	<u>\$ (207,029)</u>	<u>\$ 444</u>	<u>\$ (206,585)</u>	<u>\$ 794,596</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 49,276
Total assets.	\$ 49,276
Liabilities:	
Due to students	\$ 49,276
Total liabilities	\$ 49,276

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 329th largest by total enrollment among the 614 public school districts in the state. It operates under a locally-elected, five-member board and provides educational services as authorized and mandated by state and federal agencies. The Board controls the District's 5 instructional support facilities staffed by 85 classified employees and 115 certificated teaching personnel, and 6 administrators, who provide services to 1,729 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activity and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The District also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The government has elected not to follow subsequent private-sector guidance. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units." When applying GASB Statement No. 14, management has considered all potential component units. 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; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or (4) 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 debt, the issuance of debt, or the levying of taxes. Based upon the application of this criteria, the District has no component units. The financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School (Joint Vocational School)

The Joint Vocational School is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Joint Vocational School's Board of Education is comprised of representatives from the Board of each participating school district. The Joint Vocational School's Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The District's students may attend the vocational school. Each school district's control is limited to its representation on the Joint Vocational School's Board. During fiscal year 2005, no monies were paid to the Joint Vocational School by the District.

Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA)

OME-RESA is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

The OME-RESA is one of 23 regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by 49 member school districts in 10 different Ohio counties. The member school districts are comprised of public school districts and county boards of education. Each member districts pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

The OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Tuscarawas County Tax Incentive Review Council (TCTIRC)

The TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to Ohio Rev. Code Section 5705.62. TCTIRC has 44 members consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 14 members appointed by township trustees, 1 member from the County Auditor's office and 8 members appointed by boards of education located within the County. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. The body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of the TCTIRC. The continued existence of the TCTIRC is not dependent on the District's continued participation and no measurable equity interest exists.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

PUBLIC ENTITY RISK POOLS

Workers' Compensation

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school district pays an enrollment fee to the Plan to cover the costs of administering the program.

Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA)

The District participates in the OME-RESA Self-Insurance Plan, a claims servicing pool comprised of 50 members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine-member Board of Directors elected from OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

GOVERNMENTAL FUNDS

Governmental funds focus 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 governmental funds:

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and notes payable.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary funds:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's major enterprise fund is:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the District.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The District's internal service fund reports on a self-insurance program for employee medical benefits.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is one agency fund to account for Student Managed Activities.

C. Basis of Presentation

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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the 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 activities.

The agency fund does not report a measurement focus as it does report operations.

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. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary funds use the accrual basis of accounting.

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 sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student 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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows:

1. On July 25, 2002, the Tuscarawas County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by May 1. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenues and debt requirements (principal and interest) and amortization schedules for the debt service fund, and balances and total anticipated activity for all other funds.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2005.
3. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
6. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either re-allocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2005.
7. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

F. Cash and Investments

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

At year-end, the District had cash held by the fiscal agent in an interest bearing account which cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. This account is presented as "cash with fiscal agent" since the monies are not required to be deposited into the District's treasury.

During fiscal year 2005, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal 2005 amounted to \$53,102, which includes \$21,380 assigned from other District funds.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For purposes of the statement of cash flows and for presentation on the Statement of Net Assets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. 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. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital 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. Interest incurred during the construction of enterprise capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	20 years	N/A
Building improvements	25 - 50 years	N/A
Furniture/equipment	5 - 20 years	5 - 20 years
Vehicles	6 - 10 years	N/A

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. 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 and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service or any age with twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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 future retirement obligations 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 long-term loans are recognized as a liability in the fund financial statements when due.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. 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, inventories of supplies and materials, prepayments, property taxes unavailable for appropriation, debt service and textbooks. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

M. 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.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

The preparation of the financial statements in conformity with GAAP 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.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. A fund balance reserve has also been established. See Note 16 for details.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service, charges for sales for uniform school supplies, and 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.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

R. Capital Contributions

Capital contributions in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. There were no capital contributions during fiscal year 2005.

S. 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

T. 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. Neither type of transaction occurred during fiscal 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

- A. For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major governmental funds of the District as they were previously reported as of June 30, 2004:

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 1,651,508	\$ 549,871	\$ 95,502	\$ 2,296,881
GASB Technical Bulletin No. 2004-2	<u>(92,296)</u>	<u>-</u>	<u>(7,962)</u>	<u>(100,258)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 1,559,212</u>	<u>\$ 549,871</u>	<u>\$ 87,540</u>	<u>\$ 2,196,623</u>

B. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Major Fund</u>	
Food Service	\$ 135,235
<u>Nonmajor Funds</u>	
EMIS	3
Summer School	36
Title II-A	1,893

These funds complied with Ohio state law, which does not permit cash basis deficits. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

NOTE 4 - 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 moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of 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.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash with Fiscal Agent

At year-end, the District had \$1,091,702 cash held by the fiscal agent which cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$2,099,959, exclusive of the \$251,085 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$2,053,458 of the District's bank balance of \$2,153,458 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Investments

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 251,085	\$ 251,085
STAR Ohio	354,162	354,162
Total	<u>\$ 605,247</u>	<u>\$ 605,247</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in Star Ohio have been assigned an AAAM money market rating by Standard & Poor's.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase Agreement	\$ 251,085	41.48
STAR Ohio	354,162	58.52
	<u>\$ 605,247</u>	<u>100.00</u>

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 2,099,959
Investments	605,247
Cash with fiscal agent	<u>1,091,702</u>
Total	<u>\$ 3,796,908</u>
<u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,687,619
Business-type activities	60,013
Agency funds	<u>49,276</u>
Total	<u>\$ 3,796,908</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund loans receivable/payable consisted of the following at June 30, 2005, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 105,045

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

B. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from General fund to:	
Nonmajor Governmental Funds	\$ 18,685
Food Service Fund	65,406

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 6 - 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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four 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.

The District receives property taxes from Tuscarawas County and Stark County. 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, 2005, are available to finance fiscal year 2005 operations. The amount available as an advance at June 30, 2005 was \$330,470.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 6 - PROPERTY TAXES - (Continued)

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

	<u>2004 Second Half Collections</u>		<u>2005 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 158,767,730	89.70	\$ 176,487,480	90.13
Public utility personal	9,539,200	5.39	9,677,730	4.94
Tangible personal property	<u>8,681,803</u>	<u>4.91</u>	<u>9,663,320</u>	<u>4.93</u>
Total	<u>\$ 176,988,733</u>	<u>100.00</u>	<u>\$ 195,828,530</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 41.25		\$ 39.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), internal loans, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities

Taxes - current and delinquent	\$ 6,183,304
Accounts	3,425
Intergovernmental	67,025
Internal loan	<u>49,038</u>
Total receivables	<u>\$ 6,302,792</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 8 - CAPITAL ASSETS

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

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2005</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 46,031	\$ -	\$ -	\$ 46,031
Total capital assets, not being depreciated	<u>46,031</u>	<u>-</u>	<u>-</u>	<u>46,031</u>
Capital assets, being depreciated:				
Land improvements	473,656	-	-	473,656
Buildings and improvements	8,971,469	-	-	8,971,469
Furniture and equipment	894,592	20,650	-	915,242
Vehicles	<u>1,010,663</u>	<u>169,542</u>	<u>(108,824)</u>	<u>1,071,381</u>
Total capital assets, being depreciated	<u>11,350,380</u>	<u>190,192</u>	<u>(108,824)</u>	<u>11,431,748</u>
Less: accumulated depreciation				
Land improvements	(264,938)	(18,186)	-	(283,124)
Buildings and improvements	(2,888,759)	(165,125)	-	(3,053,884)
Furniture and equipment	(425,060)	(24,372)	-	(449,432)
Vehicles	<u>(461,747)</u>	<u>(49,575)</u>	<u>101,503</u>	<u>(409,819)</u>
Total accumulated depreciation	<u>(4,040,504)</u>	<u>(257,258)</u>	<u>101,503</u>	<u>(4,196,259)</u>
Governmental activities capital assets, net	<u>\$ 7,355,907</u>	<u>\$ (67,066)</u>	<u>\$ (7,321)</u>	<u>\$ 7,281,520</u>
Business-Type Activities				
Capital assets, being depreciated:				
Furniture and equipment	\$ 131,285	\$ -	\$ -	\$ 131,285
Less: accumulated depreciation	<u>(60,336)</u>	<u>(10,873)</u>	<u>-</u>	<u>(71,209)</u>
Business-type activities capital assets, net	<u>\$ 70,949</u>	<u>\$ (10,873)</u>	<u>\$ -</u>	<u>\$ 60,076</u>

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 134,986
Special	9,817
Support Services:	
Pupil	1,924
Instructional staff	8,098
Administration	10,106
Fiscal	272
Operations and maintenance of plant	8,699
Pupil transportation	50,952
Operation of non-instructional services	22,416
Extracurricular activities	<u>9,988</u>
Total depreciation expense	<u>\$ 257,258</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the District entered into capital lease agreements for phone equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Governmental activities capital assets consisting of phone equipment have been capitalized in the amount of \$206,771. This amount represents the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability is recorded in the statement of net assets. Principal and interest payments in the 2005 fiscal year totaled \$29,770 and \$5,963, respectively. These amounts are reported as debt service payments of the general fund.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

Year Ending June 30	Amount
2006	\$ 35,733
2007	35,733
2008	26,800
Total	98,266
Less amount representing interest	(7,347)
Present value of net minimum lease payments	\$ 90,919

NOTE 10 - LONG-TERM OBLIGATIONS

A. On June 3, 1999, the District issued \$6,949,981 general obligation various purpose refunding bonds. The issue is comprised of both current interest bonds, par value \$5,980,000, and capital appreciation bonds, par value \$969,981. The interest rates on the current interest bonds range from 3.40% to 5.35%. The proceeds of the bonds were used to advance refund the District's 1995 general obligation school improvement bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding. The principal balance of the general obligation various purpose refunded bonds at June 30, 2005 was \$3,865,000.

The assets held in trust as a result of the advance refundings described above are not included in the accompanying basic financial statements.

The capital appreciation bonds mature in various installments between December 1, 2013 and December 1, 2019 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The capital appreciation bonds have effective interest rates between 8.0839% and 8.9204%. The present value reported in the statement of net assets at June 30, 2005 was \$2,047,623. A total of \$1,077,642 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2005.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2012.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2005 for the 1999 series general obligation bonds:

	Balance <u>July 1, 2004</u>	<u>Accretion</u>	<u>Reduction</u>	Balance <u>June 30, 2005</u>
Current interest bonds	\$ 4,265,000	\$ -	\$ (400,000)	\$ 3,865,000
Capital appreciation bonds	<u>1,868,016</u>	<u>179,607</u>	<u>-</u>	<u>2,047,623</u>
Total G.O. bonds	<u>\$ 6,133,016</u>	<u>\$ 179,607</u>	<u>\$ (400,000)</u>	<u>\$ 5,912,623</u>

The following is a summary of the future debt service requirements to maturity for the 1999 series general obligation bonds:

Fiscal <u>Year Ending</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 420,000	\$ 162,120	\$ 582,120	\$ -	\$ -	\$ -
2007	430,000	144,480	574,480	-	-	-
2008	450,000	125,775	575,775	-	-	-
2009	470,000	105,878	575,878	-	-	-
2010	490,000	84,753	574,753	-	-	-
2011 - 2015	1,605,000	113,149	1,718,149	319,686	817,111	1,136,797
2016 - 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,295</u>	<u>2,297,908</u>	<u>2,948,203</u>
Total	<u>\$ 3,865,000</u>	<u>\$ 736,155</u>	<u>\$ 4,601,155</u>	<u>\$ 969,981</u>	<u>\$ 3,115,019</u>	<u>\$ 4,085,000</u>

- B.** The District also has energy conservation loans outstanding at June 30, 2005. The energy conservation loans were issued in fiscal years 1997 and 2000 pursuant to Section 3313.372 of the Ohio Revised Code in anticipation of energy cost savings to be realized from an energy conservation project under House Bill 264. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. Unmatured obligations are accounted for in the statement of net assets.

<u>Fiscal Year Ending</u>	<u>Principal on Loans</u>	<u>Interest on Loans</u>	<u>Total</u>
2006	\$ 75,000	\$ 13,878	\$ 88,878
2007	75,000	9,543	84,543
2008	35,000	6,490	41,490
2009	35,000	4,923	39,923
2010	<u>40,000</u>	<u>2,360</u>	<u>42,360</u>
Total	<u>\$ 260,000</u>	<u>\$ 37,194</u>	<u>\$ 297,194</u>

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. The following is a description of the District's long-term debt obligations outstanding as of June 30, 2005:

	<u>Outstanding July 1, 2004</u>	<u>Appreciation in 2005</u>	<u>Retired in 2005</u>	<u>Outstanding June 30, 2005</u>
General obligation bonds	\$ 5,234,981	\$ -	\$ (400,000)	\$ 4,834,981
Accretion of capital appreciation bonds	898,035	179,607	-	1,077,642
Energy conservation loans	<u>330,000</u>	<u>-</u>	<u>(70,000)</u>	<u>260,000</u>
Total	<u>\$ 6,463,016</u>	<u>\$ 179,607</u>	<u>\$ (470,000)</u>	<u>\$ 6,172,623</u>

D. The following is a summary of the District's future annual debt service requirements to maturity for general obligation debt:

<u>Fiscal Year Ending</u>	<u>Principal on Debt</u>	<u>Interest on Debt</u>	<u>Total</u>
2006	495,000	175,998	670,998
2007	505,000	154,023	659,023
2008	485,000	132,265	617,265
2009	505,000	110,801	615,801
2010	530,000	87,113	617,113
2011 - 2015	1,924,686	930,260	2,854,946
2016 - 2020	<u>650,295</u>	<u>2,297,908</u>	<u>2,948,203</u>
Total	<u>\$ 5,094,981</u>	<u>\$ 3,888,368</u>	<u>\$ 8,983,349</u>

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

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due in One Year</u>
Governmental Activities					
Compensated absences payable	\$ 971,034	\$ 62,136	\$ (100,993)	\$ 932,178	\$ 113,236
General obligation bonds payable	5,234,981	-	(400,000)	4,834,981	420,000
Accretion of capital appreciation bonds	898,035	179,607	-	1,077,642	-
Energy conservation loans	330,000	-	(70,000)	260,000	75,000
Capital lease obligation	<u>120,689</u>	<u>-</u>	<u>(29,770)</u>	<u>90,919</u>	<u>31,467</u>
Total governmental activities long-term liabilities	<u>\$ 7,554,739</u>	<u>\$ 241,743</u>	<u>\$ (600,763)</u>	<u>\$ 7,195,720</u>	<u>\$ 639,703</u>
Business-Type Activities					
Compensated absences	<u>46,073</u>	<u>23,742</u>	<u>(22,000)</u>	<u>47,815</u>	<u>9,880</u>
Total business-type activities	<u>\$ 46,073</u>	<u>\$ 23,742</u>	<u>\$ (22,000)</u>	<u>\$ 47,815</u>	<u>\$ 9,880</u>

Compensated absences will be paid from the fund from which the employee is paid.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$13,345,051 (including available funds of \$555,464) and an unvoted debt margin of \$195,829.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the District contracted with Indiana Insurance Company for property and fleet insurance. Coverages provided by Indiana Insurance are as follows:

Building and Contents - replacement cost (\$2,500 deductible), Boiler and Machinery (\$1,000 deductible), and Inland Marine Coverage (\$50 deductible)	\$29,172,920
Automobile Liability - collision (\$1,000 deductible)	2,000,000
Uninsured Motorists (\$0 deductible)	2,000,000
Umbrella coverage	1,000,000

Professional liability is protected by The Indiana Insurance Company with a \$1,000,000 single occurrence limit, a \$2,000,000 aggregate limit, and no deductible. The Nationwide Insurance Company also maintains \$25,000 public official bonds for the Board President, Superintendent, and Assistant Treasurer, as well as a \$25,000 bond for the Treasurer. In addition, the Utica National Insurance Group provides public employee blanket bond for other employees.

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

B. Workers' Compensation Rating Program

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. Participants in the Plan are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its Plan tier rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the Plan.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Employee Health Benefits

The District provides employee medical/surgical benefits through a self-insured plan and maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. The plan provides medical/surgical coverage, which is provided through a PPO (Medical Mutual of Ohio) 90% in network, 80% out of network paid of reasonable and customary charges. Major medical expense coverage includes an in network deductible of \$100 individual and \$200 family deductible followed by a 10% employee co-payment. Out of network deductibles are \$200 individual and \$400 family followed by a 10% employee co-payment. A third party administrator, Gallagher Benefit Administrators of Lisle, Illinois, reviews all claims, which are then paid by OME-RESA Health Benefits. The District purchases stop-loss coverage of \$100,000 per individual from ING through OME-RESA Health Benefits. There is an internal pool from \$35,000 to \$99,999 for stop loss coverage. The District also provides dental and vision coverage on this self-insured basis. The medical premiums are paid by the District at a rate of 90% for all employees. Dental and vision premiums are paid 100% by the District. The premium is paid by the fund that paid the salary for the employee and is based on historical cost information.

Total required monthly premiums for coverage are as follows:

	<u>Family</u>	<u>Individual</u>
Medical/Surgical	\$ 1,212.79	\$ 528.65
Dental	73.69	73.69
Vision	23.97	8.83

The liability for unpaid claims of \$244,978 reported in the internal service fund at June 30, 2005, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2004 - 2005	\$ 240,014	\$ 1,238,382	\$ (1,233,418)	\$ 244,978
2003 - 2004	399,015	1,490,156	(1,649,157)	240,014

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$221,748, \$218,082, and \$210,357, respectively; 43.22% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$125,904 represents the unpaid contribution for fiscal year 2005.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, 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% 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$734,695, \$709,797, and \$691,297, respectively; 83.49% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$121,300 represents the unpaid contribution for fiscal year 2005. Contributions to the DC and Combined Plans for fiscal year 2005 were \$6,535 paid by the District and \$9,701 paid by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid to those Board Members.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$52,478 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation of basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. However, the surcharge is capped at 2% of each employer's SERS salaries. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004 (the latest information available), SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$81,034 during the 2005 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

	<u>General Fund</u>
Budget basis	\$ (709,213)
Net adjustment for revenue accruals	(331,114)
Net adjustment for expenditure accruals	156,806
Adjustment for encumbrances	<u>303,594</u>
GAAP basis	<u>\$ (579,927)</u>

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. Since any potential damages or injunctive relief is covered through insurance, District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan 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 its financial operations.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ 63,590	\$ -
Current year set-aside requirement	233,193	233,193
Qualifying disbursements	<u>(182,450)</u>	<u>(426,450)</u>
Total	<u>\$ 114,333</u>	<u>\$ (193,257)</u>
Cash balance carried forward to FY 2006	<u>\$ 114,333</u>	<u>\$ -</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2005 follows:

Amount restricted for textbooks	<u>\$ 114,333</u>
Total restricted assets	<u>\$ 114,333</u>

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
Food Distribution Program	Not Applicable	10.550		\$20,962		\$26,078
School Breakfast Program	Not Applicable	10.553	\$12,877		\$12,877	
National School Lunch Program	Not Applicable	10.555	121,794		121,794	
Total U.S. Department of Agriculture-Child Nutrition Cluster			<u>134,671</u>	<u>20,962</u>	<u>134,671</u>	<u>26,078</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education Grants to States	050302-6BSF-2005	84.027	291,327		264,316	
Total Special Education Grants to State	050302-6BSF-2004		<u>291,327</u>		<u>34,183</u>	
					298,499	
Title I Grants to Local Educational Agencies						
	050302-C1S1-2005	84.010	69,217		62,161	
	050302-C1S1-2004				<u>15,834</u>	
Total Title I Grants to Local Educational Agencies			<u>69,217</u>		<u>77,995</u>	
Improving Teacher Quality State Grants						
	050302-TRS1-2005	84.367	49,822		45,841	
Total Improving Teacher Quality State Grants	050302-TRS1-2004		<u>49,822</u>		<u>2,021</u>	
					47,862	
Education Technology State Grants						
	050302-TJS1-2005	84.318	2,354		2,250	
State Grants for Innovative Programs						
	050302-C2S1-2005	84.298	6,879		6,879	
Safe and Drug Free Schools and Communities State Grants						
	050302-DRWS1-2005	84.186	6,288		6,469	
Total U.S. Department of Education			<u>425,887</u>		<u>439,954</u>	
TOTAL			<u>\$560,558</u>	<u>\$20,962</u>	<u>\$574,625</u>	<u>\$26,078</u>

The accompanying notes to this schedule are an integral part of this schedule.

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes 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.



Auditor of State Betty Montgomery

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

Tuscarawas Valley Local School District
Tuscarawas County
2637 Tuscarawas Valley Road NE
Zoarville, Ohio 44656-2213

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tuscarawas Valley Local School District, Tuscarawas County, Ohio (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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 in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

In a separate letter to the District's management dated December 16, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

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

In a separate letter to the District's management dated December 16, 2005, we reported a matter related to noncompliance we deemed immaterial.

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

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

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

Betty Montgomery
Auditor of State

December 16, 2005



Auditor of State Betty Montgomery

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

Tuscarawas Valley Local School District
Tuscarawas County
2637 Tuscarawas Valley Road NE
Zoarville, Ohio 44656-2213

To the Board of Education:

Compliance

We have audited the compliance of Tuscarawas Valley Local School District, Tuscarawas 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 apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, Tuscarawas Valley Local School District, Tuscarawas County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Betty Montgomery
Auditor of State

December 16, 2005

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA #84.027 and #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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800-282-0370

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TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2006**