



Mary Taylor, CPA  
Auditor of State



**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Teays Valley Local School District  
Pickaway County  
385 Circleville Avenue  
Ashville, Ohio 43103

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Teays Valley Local School District, Pickaway County, Ohio, (the District), as of and for the year ended June 30, 2006, 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, each major fund, and the aggregate remaining fund information of the Teays Valley Local School District, Pickaway County, Ohio, as of June 30, 2006 and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2007, 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 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 7, 2007

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The discussion and analysis of the Teays 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, 2006. 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 2006 are as follows:

- In total, net assets of governmental activities decreased \$336,229 which represents a 1.08% decrease from 2005.
- General revenues accounted for \$27,421,942 in revenue or 91.06% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,692,275 or 8.94% of total revenues of \$30,114,217.
- The District had \$30,450,446 in expenses related to governmental activities; \$2,692,275 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$27,421,942 were not adequate to provide for these programs.
- The District has two major funds which include the general fund and debt service fund. The general fund had \$25,232,263 in revenues and other financing sources and \$25,153,211 in expenditures and other financing uses and \$26,470 decrease in reserve for inventory. The general fund's fund balance increased from \$3,392,669 to \$3,445,251.
- The debt service fund had \$22,148,770 in revenues and other financing sources and \$21,703,450 in expenditures and other financing uses. The debt service fund's fund balance increased from \$1,543,336 to \$1,988,656.
- The District has \$46,022,978 in capital assets at June 30, 2006. This amount is net of accumulated depreciation in the amount of \$11,270,063. Fiscal year 2006 depreciation expense was \$2,150,463. Total capital assets, net of related debt to acquire or construct the assets, were \$25,013,733 at June 30, 2006.
- The District has \$21,796,133 in long-term debt liabilities outstanding at June 30, 2006. Of this total, \$925,629 is due within one year and \$20,870,504 is due in greater than one year.

**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 two major funds: the general fund and debt service fund.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**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 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all 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, whether 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 Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 15-16 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. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

***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 financial 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 basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for health/medical and dental benefits self-insurance. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private- purpose trust fund. The District also 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 separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 25 and 26. 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 27-55 of this report.

***The District as a Whole***

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

The table below provides a summary of the District's net assets for fiscal years 2006 and 2005.

	<b>Net Assets</b>		<b>Percentage Change</b>
	<b>Governmental Activities 2006</b>	<b>Governmental Activities 2005</b>	
<b><u>Assets</u></b>			
Current and other assets	\$ 20,266,099	\$ 18,011,718	12.52 %
Capital assets	<u>46,022,978</u>	<u>47,583,902</u>	(3.28) %
Total assets	<u>66,289,077</u>	<u>65,595,620</u>	1.06 %
<b><u>Liabilities</u></b>			
Current liabilities	11,706,440	10,133,816	15.52 %
Long-term liabilities	<u>23,891,414</u>	<u>24,434,352</u>	(2.22) %
Total liabilities	<u>35,597,854</u>	<u>34,568,168</u>	2.98 %
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	25,013,733	26,074,944	(4.07) %
Restricted	3,127,433	2,049,951	52.56 %
Unrestricted	<u>2,550,057</u>	<u>2,902,557</u>	(12.14) %
Total net assets	<u>\$ 30,691,223</u>	<u>\$ 31,027,452</u>	(1.08) %

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006 and June 30, 2005, the District's assets exceeded liabilities by \$30,691,223 and \$31,027,452, respectively. Net assets decreased \$336,229 due to a larger increase in the amount of liabilities compared to 2005.

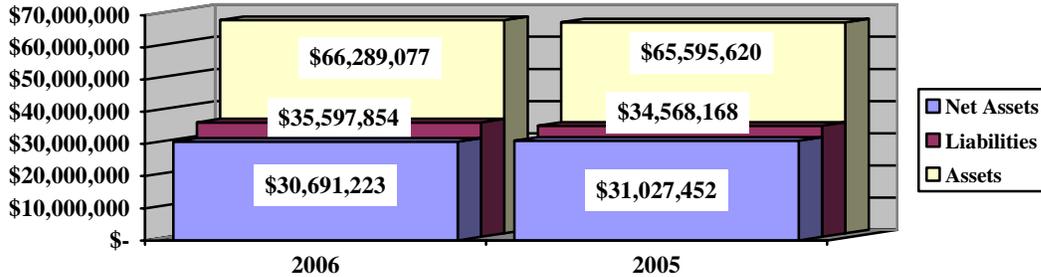
At year-end, capital assets represented 69.43% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006 and June 30, 2005, were \$25,013,733 and \$26,074,944, respectively. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$3,127,433, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$573,820 is restricted for capital projects. The remaining balance of unrestricted net assets of \$2,550,057 may be used to meet the District's ongoing obligations to the students and creditors.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2006 and 2005.

**Change in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005	Percentage Change
<b>Revenues</b>			
Program revenues:			
Charges for services and sales	\$ 1,068,572	\$ 1,038,961	2.85 %
Operating grants and contributions	1,585,559	1,599,288	(0.86) %
Capital grants and contributions	38,144	-	100.00 %
General revenues:			
Taxes	10,419,727	8,998,722	15.79 %
Grants and entitlements	16,402,748	15,842,447	3.54 %
Investment earnings	386,138	200,105	92.97 %
Other	213,329	174,204	22.46 %
<b>Total revenues</b>	<b>30,114,217</b>	<b>27,853,727</b>	<b>8.12 %</b>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

<b>Change in Net Assets</b>			
	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>	<u>Percentage Change</u>
<b><u>Expenses</u></b>			
Program expenses:			
Instruction:			
Regular	\$ 14,070,296	\$ 12,365,375	13.79 %
Special	2,444,728	2,227,736	9.74 %
Vocational	841,591	726,083	15.91 %
Other	238,638	1,172	20,261.60 %
Support services:			
Pupil	1,055,687	1,044,853	1.04 %
Instructional staff	1,366,704	1,267,683	7.81 %
Board of education	85,825	77,043	11.40 %
Administration	2,305,852	2,151,820	7.16 %
Fiscal	767,957	503,305	52.58 %
Business	152,650	99,041	54.13 %
Operations and maintenance	2,893,282	2,693,351	7.42 %
Pupil transportation	1,559,964	1,392,166	12.05 %
Central	175,105	173,016	1.21 %
Operations of non-instructional services	104,615	264	39,526.89 %
Food service operations	761,976	1,108,627	(31.27) %
Extracurricular activities	620,007	545,959	13.56 %
Intergovernmental	12,944	13,479	(3.97) %
Interest and fiscal charges	<u>992,625</u>	<u>1,262,308</u>	(21.36) %
Total expenses	<u>30,450,446</u>	<u>27,653,281</u>	10.12 %
Change in net assets	(336,229)	200,446	(267.74) %
Net assets, beginning of year	<u>31,027,452</u>	<u>30,827,006</u>	0.65 %
Net assets, end of year	<u>\$ 30,691,223</u>	<u>\$ 31,027,452</u>	(1.08) %

**Governmental Activities**

Net assets of the District's governmental activities decreased \$336,229 in fiscal 2006 and increased \$200,446 in fiscal 2005. The overall decrease in net assets in fiscal year 2006 can be attributed to expenditures increasing over revenues. The overall increase in net assets in fiscal year 2005 can be attributed to the increase in capital assets related to the District's construction project. Total governmental expenses of \$30,450,446 were offset by program revenues of \$2,692,275 and general revenues of \$27,421,942 during fiscal 2006. Program revenues supported 8.84% of the total governmental expenses during fiscal 2006 and 9.47% during fiscal 2005. In the general revenues area, investment earnings increased as the District had more investments during fiscal 2006 and interest rates on allowable investments were higher.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

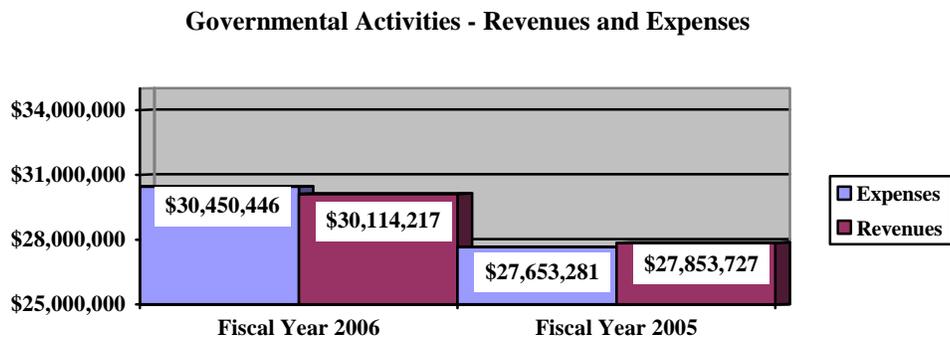
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources account for 27.22% of total governmental revenue. Real estate property is reappraised every six years. The latest reappraisal by Pickaway County was in 2005. Property tax revenue increased 15.79% during fiscal 2006. There was an increase in school foundation payments due to larger enrollment amounts.

Overall, expenses increased by 10.12% or \$2,797,165. Pupil support services increased due to the addition of personnel for the increasing number of students entering the District. In addition to personnel costs, the District also increased supply costs. Pupil support services \$10,834. Regular instruction expenditures increased by \$1,704,921 due to the increase in staff. Pupil transportation services increased by \$167,798 because of higher expenditures to transport additional students. Administration expenditures increased by \$154,032 due to additional resources needed.

Voters approved a \$22,850,666 bond levy in November 1999. This levy, which generates approximately \$1,787,838 per year for 28 years, is expected to provide revenue for debt service through fiscal year 2027. The bond issue allowed for construction of 3 new elementary schools as well as major renovations and additions at the District's High School and Middle School instructional facilities. During fiscal year 2006, this bond issue was refunded to decrease the District's interest costs for the original bond issue through fiscal year 2027.

The District's financial condition has declined in recent years. The District is at the twenty mill floor for local taxes. The District is projecting an increase in local funding in future years as Pickaway County is currently undergoing a triennial update in assessed valuations which will result in an increase of 20 mills times the increase in value. In addition, the District has a .75% school income tax and is rapidly growing with many subdivisions already built and more planned for the future.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2006 and 2005.



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. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Governmental Activities**

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 14,070,296	\$ 13,565,624	\$ 12,365,375	\$ 11,830,169
Special	2,444,728	2,048,643	2,227,736	1,885,107
Vocational	841,591	840,331	726,083	724,724
Other	238,638	222,237	1,172	1,172
Support services:				
Pupil	1,055,687	1,020,448	1,044,853	988,023
Instructional staff	1,366,704	955,028	1,267,683	813,322
Board of education	85,825	85,825	77,043	77,043
Administration	2,305,852	2,085,758	2,151,820	1,966,272
Fiscal	767,957	767,957	503,305	500,606
Business	152,650	152,650	99,041	99,041
Operations and maintenance	2,893,282	2,892,978	2,693,351	2,692,581
Pupil transportation	1,559,964	1,559,826	1,392,166	1,390,743
Central	175,105	157,104	173,016	158,016
Operations of non-instructional services	104,615	104,615	264	264
Food service operations	761,976	(191,227)	1,108,627	197,497
Extracurricular activities	620,007	484,805	545,959	414,665
Intergovernmental	12,944	12,944	13,479	13,479
Interest and fiscal charges	<u>992,625</u>	<u>992,625</u>	<u>1,262,308</u>	<u>1,262,308</u>
Total	<u>\$ 30,450,446</u>	<u>\$ 27,758,171</u>	<u>\$ 27,653,281</u>	<u>\$ 25,015,032</u>

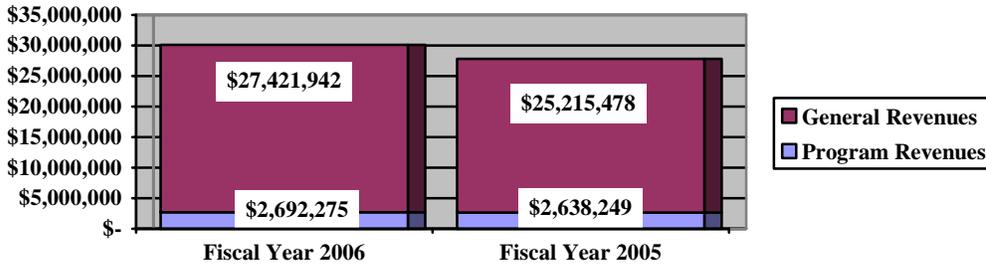
The dependence upon tax and other general revenues for governmental activities is apparent, 94.78% of instruction activities were supported through taxes and other general revenues during fiscal 2006 and 94.26% in fiscal 2005. For all governmental activities, general revenue support was 91.16% in fiscal 2006 and 90.53% in fiscal 2005. The District's taxpayers, as a whole, are by far the primary support for District students.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

The graph below presents the District's governmental activities revenue for fiscal years 2006 and 2005.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$6,740,236, which is higher than last year's total of \$6,616,040. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance <u>June 30, 2006</u>	Fund Balance <u>June 30, 2005</u>	Increase (Decrease)	Percentage <u>Change</u>
General	\$ 3,445,251	\$ 3,392,669	\$ 52,582	1.55 %
Debt Service	1,988,656	1,543,336	445,320	28.85 %
Other Governmental	<u>1,306,329</u>	<u>1,680,035</u>	<u>(373,706)</u>	(22.24) %
Total	<u>\$ 6,740,236</u>	<u>\$ 6,616,040</u>	<u>\$ 124,196</u>	1.88 %

**General Fund**

During fiscal year 2006, the District's general fund balance increased by \$52,582, which can be attributed to increasing revenue still exceeding increasing expenses related to the growing student population during fiscal year 2006. Tax revenues increased by \$851,629 due to a larger amount of homes for property taxes. Intergovernmental revenue increased during fiscal year 2006 due to an increase in foundation received during fiscal year 2006. Earnings on investments increased as the District had more funds to invest in fiscal 2006 and interest rates were higher. Instruction and support services expenditures increased due to an increase in staff, due to an increasing student population during fiscal 2006. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 8,179,620	\$ 7,327,991	\$ 851,629	11.62 %
Tuition	74,854	43,907	30,947	70.48 %
Earnings on investments	331,362	127,009	204,353	160.90 %
Intergovernmental	16,271,795	15,705,944	565,851	3.60 %
Other revenues	<u>132,478</u>	<u>102,233</u>	<u>30,245</u>	29.58 %
Total	<u>\$24,990,109</u>	<u>\$23,307,084</u>	<u>\$ 1,683,025</u>	7.22 %
<b><u>Expenditures</u></b>				
Instruction	\$15,193,005	\$14,007,246	\$ 1,185,759	8.47 %
Support services	8,800,318	8,265,978	534,340	6.46 %
Operation of non-instructional services	45	256	(211)	(82.42) %
Extracurricular activities	427,912	384,057	43,855	11.42 %
Capital outlay	242,154	515,199	(273,045)	(53.00) %
Debt service	<u>286,778</u>	<u>282,206</u>	<u>4,572</u>	1.62 %
Total	<u>\$24,950,212</u>	<u>\$23,454,942</u>	<u>\$ 1,495,270</u>	6.38 %

***Debt Service***

During fiscal year 2006, the District's debt service fund balance increased \$445,320 due to larger amounts of tax revenues. The table that follows assists in illustrating the financial activities of the debt service fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$1,782,434	\$1,673,213	\$ 109,221	6.53 %
Earnings on investments	4	29,186	(29,182)	(99.99) %
Intergovernmental	<u>235,837</u>	<u>231,986</u>	<u>3,851</u>	1.66 %
Total	<u>\$2,018,275</u>	<u>\$1,934,385</u>	<u>\$ 83,890</u>	4.34 %
<b><u>Expenditures</u></b>				
Fiscal	\$ 43,172	\$ 31,276	\$ 11,896	38.04 %
Debt Service:				
Principal	770,000	740,000	30,000	4.05 %
Interest	759,782	1,101,232	(341,450)	(31.01) %
Bond issue costs	<u>240,983</u>	<u>-</u>	<u>240,983</u>	100.00 %
Total	<u>\$1,813,937</u>	<u>\$1,872,508</u>	<u>\$ (299,554)</u>	(16.00) %

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

***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 year 2006, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$25,085,193 were \$364,134 higher than the original budgeted revenues and other financing sources estimate of \$24,721,059. Actual revenues and other financing sources of \$25,085,193 were the same as the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$29,048,374. Final appropriations of \$25,430,569 were \$3,617,805 lower than original budgeted expenditures. Actual expenditures and other financing uses of \$25,430,569 which was the same as the final budgeted amounts.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2006, the District had \$46,022,978 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 1,211,164	\$ 1,211,164
Land improvements	3,339,697	3,511,786
Buildings and improvements	37,492,544	38,849,860
Furniture and equipment	3,147,454	3,195,611
Vehicles	832,119	815,481
Total	\$ 46,022,978	\$47,583,902

The capital assets decreased \$1,560,924. This is due to depreciation expense of \$2,150,463 and disposals (net of accumulated depreciation) of \$7,501 exceeding additions of \$597,040.

See Note 9 to the basic financial statements for detail on the District's capital assets.

***Debt Administration***

At June 30, 2006 the District had \$21,127,169 in general obligation bonds outstanding. The issue is comprised of current issue bonds and capital appreciation bonds. Of this total, \$765,000 is due within one year and \$20,362,169 is due within greater than one year. The following table summarizes the bonds outstanding.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Outstanding Debt, at Year End**

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
Current interest bonds - 2000	\$ 1,305,000	\$20,360,000
Capital appreciation bonds - 2000	1,487,600	1,320,325
Current interest refunding bonds - 2006	18,010,000	-
Capital appreciation bonds - 2006	<u>324,569</u>	<u>-</u>
Total	<u>\$ 21,127,169</u>	<u>\$21,680,325</u>

The District issued the 2000 series general obligation bonds on September 5, 2000 for building construction and improvements. The annual interest rate ranges from 4.30% to 5.50% and the bonds are scheduled to mature in fiscal 2011.

During fiscal year 2006, the District refunded a portion of the 2000 series general obligation bonds on July 28, 2005. The annual interest rate ranges from 3.00% to 5.00% and the bonds are schedule to mature in fiscal year 2028.

At June 30, 2006, the District's overall legal debt margin was \$11,909,775 with an unvoted debt margin of \$336,238. The District's most recent bond issue maintained a Moody's Investors Service rating and a Fitch IBCA, Inc. rating of Aaa and AAA respectively on the understanding that the Bonds would be insured by Financial Guaranty Insurance Company upon their issuance. The District has received an underlying rating of A2 from Moody's.

See Note 11 to the basic financial statements for detail on the District's debt administration.

**Current Financial Related Activities**

Overall, the District has remained financially stable the past few years. The District's financial stability is primarily attributable to a growing revenue base tied to a growing enrollment and increasing local tax collections combined with prudent and targeted spending. Meeting the demands of growth encompass a number of areas each of which present its own set of challenges. Some of the primary factors that the District must consider and plan for are recapped below:

**Enrollment:**

**The Issue** – Enrollment is anticipated to increase another 452 students over the course of the next five years (FY07 to FY11).

**Considerations** – Growing enrollment positively impacts state funding, but on the other hand can also require additional expenditures to keep pace. The District has sufficient cash reserves to afford it the time necessary to make adjustments in an effort to extend the timing of its next operational levy request.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**New Facilities:**

**The Issue** - Due to increasing enrollment, the District will soon outgrow its current facilities.

**Considerations** - On November 6, 2006, District voters approved a 3.9 mill Bond Issue to complete necessary renovation work and construct new buildings. The 3.9 mills represent the District's local share of a state assisted building project administered through the Ohio School Facilities Commission. The construction of these new facilities will have a positive long term impact on the District's operational budget as these new buildings will address overcrowding issues in the most cost efficient manner.

**Local Valuations:**

**The Issue** – New residential and commercial real estate growth is anticipated to average 7.5% per year for the future years covered by the forecast. In addition, the District will undergo reappraisal in calendar year 2008, which is expected to add another 8% to residential values that year.

**Considerations** – Valuation growth drives local tax collection growth. However, it has the opposite effect on unrestricted state aid disbursements due to the 23 mill charge off included in the current funding formula. Tax incentive programs, such as tax abatements and TIFF agreements are viable options to be considered to help stimulate economic development while at the same time help the school district retain as much state support as possible.

**State Budget:**

**The Issue** - HB66 (the State's current biennial budget bill covering fiscal year's 2006 & 2007) includes some of the largest structural changes to school funding of any state budget in recent memory. The single largest change is related to the elimination of the tax imposed on general tangible personal property.

**Considerations** - Tangible tax values will be completely phased out over a four-year period starting with calendar year 2006. As a result, local tangible tax collections in the forecast begin to reflect reductions in FY07. Offsetting increases to Property Tax Allocation revenue are reflected because the state has pledged to provide full reimbursement of the local tax losses for the next five years (FY07 – FY11). After the first five-years of full reimbursement, the State will begin to phase-out the direct reimbursement they provide. That phase-out will occur over the subsequent eight-year period. Fortunately for Teays Valley, the District's tangible tax base is not substantial. When the phase out is complete, Teays Valley stands to lose \$150,000 to \$200,000 of net funding per year. It is worth noting that this assumption is based upon a continuation of the provisions included in HB66. The legislature will consider a new biennial budget covering fiscal year's 2008 and 2009 sometime in the spring of 2007.

**Staffing & Negotiated Increases:**

**The Issue** - The forecast incorporates the impact of the most recent negotiated contract. That contract called for a 3.5%, 3.25% and 3.0% base salary increase for fiscal years 2006, 2007 and 2008 respectively. The forecast anticipates the need to add staffing to accommodate its rising enrollment, with additional emphasis on increased staffing placed in FY10 when new buildings are scheduled to open.

**Considerations** - The District will begin bargaining its next negotiated agreement sometime in the spring/summer of 2008. Since the forecast anticipates 3% increases through the remainder of the forecast, these levels will need to be adjusted according to the final outcome of negotiations.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Health Insurance:**

**The Issue** - Currently all employers are faced with the challenge of sky-rocketing health insurance increases. The forecast incorporates an average trend of 12% to account for this situation.

**Considerations** - There are number of approaches that are possible to mitigate the large increases projected. A couple of these would include: reducing benefit levels, increasing co-pays and deductibles... or do nothing and absorb the increases in health insurance but consider reductions to projected base salary increases (for example, instead of a base salary increases of 3%, consider a lesser increase in lieu of maintaining current health insurance provisions).

**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 Mr. Stacy Overly, Treasurer, Teays Valley Local School District, 385 Circleville Avenue, Ashville OH 43103-9417.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 8,964,276
Cash with fiscal agent. . . . .	639,356
Receivables:	
Taxes . . . . .	10,201,469
Accounts . . . . .	8,711
Intergovernmental . . . . .	142,667
Accrued interest . . . . .	55,061
Prepayments. . . . .	8,684
Materials and supplies inventory . . . . .	14,783
Unamortized bond issue costs. . . . .	231,092
Capital assets:	
Land . . . . .	1,211,164
Depreciable capital assets, net . . . . .	44,811,814
Total capital assets, net. . . . .	<u>46,022,978</u>
 Total assets . . . . .	 <u>66,289,077</u>
 <b>Liabilities:</b>	
Accounts payable. . . . .	335,603
Accrued wages and benefits . . . . .	2,335,257
Pension obligation payable. . . . .	584,319
Intergovernmental payable . . . . .	196,007
Deferred revenue . . . . .	7,894,617
Accrued interest payable . . . . .	58,515
Claims payable . . . . .	302,122
Long-term liabilities:	
Due within one year. . . . .	1,108,522
Due in more than one year . . . . .	22,782,892
Total liabilities. . . . .	<u>35,597,854</u>
 Total liabilities . . . . .	 <u>35,597,854</u>
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	25,013,733
Restricted for:	
Capital projects . . . . .	573,820
Debt service. . . . .	2,163,778
Classroom facilities maintenance . . . . .	178,141
Locally funded programs . . . . .	12,328
State funded programs . . . . .	735
Federally funded programs . . . . .	3,656
Student activities . . . . .	39,913
Other purposes . . . . .	155,062
Unrestricted. . . . .	<u>2,550,057</u>
 Total net assets . . . . .	 <u>\$ 30,691,223</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 14,070,296	\$ 287,718	\$ 178,810	\$ 38,144	\$ (13,565,624)
Special . . . . .	2,444,728	98	395,987	-	(2,048,643)
Vocational . . . . .	841,591	-	1,260	-	(840,331)
Other . . . . .	238,638	-	16,401	-	(222,237)
Support services:					
Pupil . . . . .	1,055,687	2,608	32,631	-	(1,020,448)
Instructional staff . . . . .	1,366,704	40,491	371,185	-	(955,028)
Board of education . . . . .	85,825	-	-	-	(85,825)
Administration . . . . .	2,305,852	1,458	218,636	-	(2,085,758)
Fiscal . . . . .	767,957	-	-	-	(767,957)
Business . . . . .	152,650	-	-	-	(152,650)
Operations and maintenance . . . . .	2,893,282	-	304	-	(2,892,978)
Pupil transportation . . . . .	1,559,964	-	138	-	(1,559,826)
Central . . . . .	175,105	-	18,001	-	(157,104)
Operation of non-instructional services . . . . .	104,615	-	-	-	(104,615)
Food service operations . . . . .	761,976	600,997	352,206	-	191,227
Extracurricular activities . . . . .	620,007	135,202	-	-	(484,805)
Intergovernmental . . . . .	12,944	-	-	-	(12,944)
Interest and fiscal charges . . . . .	992,625	-	-	-	(992,625)
Totals . . . . .	<u>\$ 30,450,446</u>	<u>\$ 1,068,572</u>	<u>\$ 1,585,559</u>	<u>\$ 38,144</u>	<u>(27,758,171)</u>
 <b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					6,120,837
Classroom facilities maintenance . . . . .					145,506
Debt service . . . . .					1,932,045
Income taxes levied for:					
General purposes . . . . .					2,221,339
Grants and entitlements not restricted to specific programs . . . . .					16,402,748
Investment earnings . . . . .					386,138
Miscellaneous . . . . .					213,329
Total general revenues . . . . .					<u>27,421,942</u>
Change in net assets . . . . .					(336,229)
<b>Net assets, July 1 . . . . .</b>					<u>31,027,452</u>
<b>Net assets, June 30 . . . . .</b>					<u>\$ 30,691,223</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 4,914,297	\$ 1,854,493	\$ 1,604,651	\$ 8,373,441
Receivables:				
Taxes . . . . .	8,078,774	2,122,695	-	10,201,469
Accounts . . . . .	1,809	-	6,902	8,711
Intergovernmental . . . . .	-	-	85,730	85,730
Accrued interest . . . . .	54,374	-	687	55,061
Interfund loans . . . . .	7,130	-	-	7,130
Materials and supplies inventory . . . . .	-	-	14,783	14,783
Prepayments . . . . .	8,684	-	-	8,684
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	144,062	-	-	144,062
<b>Total assets . . . . .</b>	<u>\$ 13,209,130</u>	<u>\$ 3,977,188</u>	<u>\$ 1,712,753</u>	<u>\$ 18,899,071</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 190,112	\$ -	\$ 145,491	\$ 335,603
Accrued wages and benefits . . . . .	2,156,112	-	179,145	2,335,257
Compensated absences payable . . . . .	92,108	-	-	92,108
Pension obligation payable . . . . .	522,073	-	62,246	584,319
Intergovernmental payable . . . . .	184,282	-	11,725	196,007
Interfund loan payable . . . . .	-	-	7,130	7,130
Deferred revenue . . . . .	6,619,192	1,988,532	687	8,608,411
<b>Total liabilities . . . . .</b>	<u>9,763,879</u>	<u>1,988,532</u>	<u>406,424</u>	<u>12,158,835</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	588,678	-	255,838	844,516
Reserved for prepayments . . . . .	8,684	-	-	8,684
Reserved for materials and supplies inventory . . . . .	-	-	14,783	14,783
Reserved for property tax unavailable for appropriation . . . . .	367,386	113,759	-	481,145
Reserved for debt service . . . . .	-	1,874,897	-	1,874,897
Reserved for capital acquisition . . . . .	93,484	-	-	93,484
Reserved for school bus purchases . . . . .	50,578	-	-	50,578
Unreserved, undesignated, reported in:				
General fund . . . . .	2,336,441	-	-	2,336,441
Special revenue funds . . . . .	-	-	499,228	499,228
Capital projects funds . . . . .	-	-	536,480	536,480
<b>Total fund balances . . . . .</b>	<u>3,445,251</u>	<u>1,988,656</u>	<u>1,306,329</u>	<u>6,740,236</u>
<b>Total liabilities and fund balances . . . . .</b>	<u>\$ 13,209,130</u>	<u>\$ 3,977,188</u>	<u>\$ 1,712,753</u>	<u>\$ 18,899,071</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006**

<b>Total governmental fund balances</b>		<b>\$ 6,740,236</b>
<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.		46,022,978
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 680,671	
Earnings on investments	33,123	
Total	713,794	713,794
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.		840,944
Unamortized deferred charges on refundings are not recognized in the funds.		1,385,223
Unamortized premiums on bond issuance is not recognized in the funds.		(1,616,319)
Unamortized bond issuance costs are not recognized in the funds.		231,092
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(58,515)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(21,127,169)	
Capital lease obligation	(668,964)	
Compensated absences	(1,772,077)	
Total		(23,568,210)
<b>Net assets of governmental activities</b>		<b>\$ 30,691,223</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 8,179,620	\$ 1,782,434	\$ 145,506	\$ 10,107,560
Tuition . . . . .	74,854	-	-	74,854
Charges for services . . . . .	-	-	600,997	600,997
Classroom materials and fees . . . . .	87,976	-	-	87,976
Earnings on investments . . . . .	331,362	4	35,098	366,464
Extracurricular . . . . .	171	-	282,578	282,749
Other local revenues . . . . .	44,331	-	86,110	130,441
Other revenue . . . . .	104,884	26,639	35,700	167,223
Intergovernmental - state . . . . .	16,156,638	209,198	139,902	16,505,738
Intergovernmental - federal . . . . .	10,273	-	1,448,101	1,458,374
Total revenues . . . . .	<u>24,990,109</u>	<u>2,018,275</u>	<u>2,773,992</u>	<u>29,782,376</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	12,141,703	-	366,075	12,507,778
Special . . . . .	2,035,075	-	404,434	2,439,509
Vocational . . . . .	794,015	-	1,150	795,165
Other . . . . .	222,212	-	16,426	238,638
Support Services:				
Pupil . . . . .	995,016	-	65,094	1,060,110
Instructional staff . . . . .	927,249	-	414,903	1,342,152
Board of education . . . . .	81,942	-	-	81,942
Administration . . . . .	2,048,583	-	222,435	2,271,018
Fiscal . . . . .	551,295	43,172	196,717	791,184
Business . . . . .	25,395	-	-	25,395
Operations and maintenance . . . . .	2,457,090	-	413,851	2,870,941
Pupil transportation . . . . .	1,601,592	-	102	1,601,694
Central . . . . .	112,156	-	17,961	130,117
Operation of non-instructional services . . . . .	45	-	104,570	104,615
Food service operations . . . . .	-	-	873,108	873,108
Extracurricular activities . . . . .	427,912	-	127,968	555,880
Intergovernmental . . . . .	-	-	12,944	12,944
Facilities acquisition and construction . . . . .	-	-	109,390	109,390
Capital outlay . . . . .	242,154	-	-	242,154
Debt service:				
Principal retirement . . . . .	243,267	770,000	-	1,013,267
Interest and fiscal charges . . . . .	43,511	759,782	-	803,293
Bond issuance costs . . . . .	-	240,983	-	240,983
Total expenditures . . . . .	<u>24,950,212</u>	<u>1,813,937</u>	<u>3,347,128</u>	<u>30,111,277</u>
Excess of revenues over (under) expenditures . . . . .	<u>39,897</u>	<u>204,338</u>	<u>(573,136)</u>	<u>(328,901)</u>
<b>Other financing sources (uses):</b>				
Premium on sale of bonds . . . . .	-	1,685,500	-	1,685,500
Sale of bonds . . . . .	-	18,444,995	-	18,444,995
Payment to refunded bond escrow . . . . .	-	(19,889,513)	-	(19,889,513)
Transfers in . . . . .	-	-	511,780	511,780
Transfers (out) . . . . .	(202,999)	-	(308,781)	(511,780)
Capital lease transaction . . . . .	242,154	-	-	242,154
Total other financing sources (uses) . . . . .	<u>39,155</u>	<u>240,982</u>	<u>202,999</u>	<u>483,136</u>
Net change in fund balances . . . . .	79,052	445,320	(370,137)	154,235
<b>Fund balances, July 1 . . . . .</b>	<b>3,392,669</b>	<b>1,543,336</b>	<b>1,680,035</b>	<b>6,616,040</b>
<b>Decrease in reserve for inventory . . . . .</b>	<b>(26,470)</b>	<b>-</b>	<b>(3,569)</b>	<b>(30,039)</b>
<b>Fund balances, June 30 . . . . .</b>	<b><u>\$ 3,445,251</u></b>	<b><u>\$ 1,988,656</u></b>	<b><u>\$ 1,306,329</u></b>	<b><u>\$ 6,740,236</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**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, 2006**

<b>Net change in fund balances - total governmental funds</b>		<b>\$ 154,235</b>
<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 estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital asset additions	\$ 597,040	
Current year depreciation	<u>(2,150,463)</u>	
Total		(1,553,423)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(7,501)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	312,167	
Intergovernmental revenue	<u>19,674</u>	
Total		331,841
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(30,039)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,013,267
Payments to refunding bond escrow agents are an other financing use in the governmental funds, but the payment reduces long-term liabilities on the statement of net assets.		
		18,445,000
The issuance of refunding bonds are recorded as an other financing source in the governmental funds; however, the proceeds increase long-term liabilities on the statement net assets.		
		(18,444,995)
Premiums on refunding bonds are recognized as an other financing source in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities.		
		(1,616,319)
Bond issuance costs are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities		
		231,092
Deferred charges on refundings are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities.		
		1,385,223
Proceeds of capital lease transactions are recorded as revenue in the funds however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(242,154)
In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		
Accrued interest	27,517	
Accreted interest on capital appreciation bonds	<u>(216,849)</u>	
Total		(189,332)
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.		
		74,945
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 fund is allocated among the governmental activities.		
		<u>111,931</u>
<b>Change in net assets of governmental activities</b>		<b><u>\$ (336,229)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**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, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 8,003,177	\$ 8,121,061	\$ 8,121,061	\$ -
Tuition . . . . .	74,435	75,531	75,531	-
Earnings on investments . . . . .	335,839	340,786	340,786	-
Classroom materials and fees . . . . .	86,611	87,887	87,887	-
Other local revenue . . . . .	34,220	34,724	34,724	-
Other revenue . . . . .	103,921	105,452	105,452	-
Intergovernmental - state . . . . .	15,922,110	16,156,638	16,156,638	-
Intergovernmental - federal . . . . .	10,124	10,273	10,273	-
	<u>24,570,437</u>	<u>24,932,352</u>	<u>24,932,352</u>	<u>-</u>
<b>Total revenues . . . . .</b>				
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	13,825,964	12,104,021	12,104,021	-
Special . . . . .	2,324,231	2,034,762	2,034,762	-
Vocational . . . . .	874,166	765,294	765,294	-
Other . . . . .	251,981	220,598	220,598	-
Support services:				
Pupils . . . . .	1,185,243	1,037,628	1,037,628	-
Instructional staff . . . . .	1,053,445	922,245	922,245	-
Board of education . . . . .	85,827	75,138	75,138	-
Administration . . . . .	2,354,233	2,061,027	2,061,027	-
Fiscal . . . . .	682,358	597,374	597,374	-
Business . . . . .	225,240	197,188	197,188	-
Operations and maintenance . . . . .	3,062,962	2,681,488	2,681,488	-
Pupil transportation . . . . .	2,050,327	1,794,971	1,794,971	-
Central . . . . .	125,080	109,502	109,502	-
Operation of non-instructional services . . . . .	53	46	46	-
Extracurricular activities . . . . .	551,809	483,084	483,084	-
	<u>28,652,919</u>	<u>25,084,366</u>	<u>25,084,366</u>	<u>-</u>
<b>Total expenditures . . . . .</b>				
Excess of revenues under expenditures . . . . .	<u>(4,082,482)</u>	<u>(152,014)</u>	<u>(152,014)</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Advances in . . . . .	1,806	1,833	1,833	-
Advances (out) . . . . .	(8,144)	(7,130)	(7,130)	-
Transfers in . . . . .	129,131	131,033	131,033	-
Transfers (out) . . . . .	(387,185)	(338,963)	(338,963)	-
Refund of prior year's receipt . . . . .	(126)	(110)	(110)	-
Refund of prior year's expenditures . . . . .	19,685	19,975	19,975	-
	<u>(244,833)</u>	<u>(193,362)</u>	<u>(193,362)</u>	<u>-</u>
<b>Total other financing sources (uses) . . . . .</b>				
Net change in fund balance . . . . .	(4,327,315)	(345,376)	(345,376)	-
<b>Fund balance, July 1 . . . . .</b>	3,809,039	3,809,039	3,809,039	-
<b>Prior year encumbrances appropriated . . . . .</b>	518,276	518,276	518,276	-
<b>Fund balance, June 30 . . . . .</b>	<u>\$ -</u>	<u>\$ 3,981,939</u>	<u>\$ 3,981,939</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUND  
JUNE 30, 2006**

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 446,773
Cash with fiscal agent . . . . .	639,356
Receivables:	
Intergovernmental . . . . .	56,937
 Total assets . . . . .	 1,143,066
<b>Liabilities:</b>	
Claims payable. . . . .	302,122
 Total liabilities. . . . .	 302,122
<b>Net assets:</b>	
Unrestricted . . . . .	840,944
 Total net assets. . . . .	 \$ 840,944

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
INTERNAL SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 2,778,823
Total operating revenues . . . . .	2,778,823
<b>Operating expenses:</b>	
Claims and administrative services . . . . .	2,666,892
Total operating expenses . . . . .	2,666,892
Change in net assets. . . . .	111,931
<b>Net assets, July 1. . . . .</b>	<b>729,013</b>
<b>Net assets, June 30. . . . .</b>	<b>\$ 840,944</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 2,851,947
Cash payments for claims and administrative services . . . . .	(2,666,892)
	185,055
Net cash provided by operating activities. . . . .	185,055
Net increase in cash and cash equivalents . . . . .	185,055
<b>Cash and cash equivalents, July 1 . . . . .</b>	<b>901,074</b>
<b>Cash and cash equivalents, June 30 . . . . .</b>	<b>\$ 1,086,129</b>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income. . . . .	\$ 111,931
Changes in assets and liabilities:	
Decrease in intergovernmental receivable. . . . .	11,546
Increase in claims payable . . . . .	61,578
	185,055
Net cash provided by operating activities . . . . .	<b>\$ 185,055</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006**

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 15,134	\$ 82,710
Total assets . . . . .	<u>15,134</u>	<u><u>82,710</u></u>
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 1,418
Due to students . . . . .	-	81,292
Total liabilities . . . . .	<u>-</u>	<u><u>\$ 82,710</u></u>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	<u>15,134</u>	
Total net assets . . . . .	<u><u>\$ 15,134</u></u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 5,373
Total additions. . . . .	5,373
<b>Deductions:</b>	
Scholarships awarded . . . . .	239
Change in net assets . . . . .	5,134
<b>Net assets, July 1 . . . . .</b>	<b>10,000</b>
<b>Net assets, June 30 . . . . .</b>	<b>\$ 15,134</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Teays 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 is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District ranks as the 127<sup>th</sup> largest by total enrollment among the 615 public school District's in the State. The District employed 234 certified employees and 100 non-certificated employees who provided services to 3,539 students. The District is supervised by the Pickaway County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic 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 type activity and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. 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". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's government 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 have access to the organizations' resources; or (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 budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic 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:

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

*JOINTLY GOVERNED ORGANIZATION*

Metropolitan Education Council (MEC) - Is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District paid \$17,781 to MEC for services provided during fiscal 2006.

Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in central Ohio which comprise sixty percent of the Board, two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Development Disabilities, representatives of universities and students and persons with disabilities representations. COSERRC assists the District in complying with mandates of Public Law 99-456 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Council.

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Program (GRP)

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program was established as an insurance purchasing pool and is governed by a three-member Board of Directors. The Executive Director of the Ohio School Boards Association, or his/her designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 13.B. for further information on this group rating plan.

Ross County School Employees Insurance Consortium

The District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area. Medical/surgical insurance is administered through a third party administrator, Medical Mutual of Ohio. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to Westfall Local School District, Scott Glandon, who serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**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.

*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 from governmental resources when the government is obligated in some manner for payment.

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 trust funds; (b) for grants and other resources whose use is restricted to a particular purpose and (c) for food service and uniform school supplies operations.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*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 internal service fund accounts for the District's self-insurance program which provides health/medical and dental benefits to employees.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**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. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

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 operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for services. Operating expenses for the internal service fund includes the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not 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 on the fund financial statements. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also 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, income 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, income taxes, interest, tuition, grants, student fees and rentals.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

*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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental 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 2006 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Pickaway County Budget Commission for tax rate determination.
3. 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 original and final budgeted revenues in the budgetary statement reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2006.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level for all funds, 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 appropriations totals.

5. Any revisions that alter the total of any fund appropriation at the legal level of control must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The original and final budget figures, which appear in the statement of budgetary comparisons, represent the permanent appropriation (original budget) amounts plus all supplemental appropriations legally enacted during the year (final budget amounts).
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**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 basic financial statements.

During fiscal year 2006, investments were limited to nonnegotiable certificates of deposits, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities and a U.S. Government Money Market. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2006. 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, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2006 amounted to \$331,362 which includes \$129,782 assigned from other District funds.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

For presentation on the financial statements, 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 investments 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. Inventories are accounted for using the consumption method. On fund financial statements inventories of governmental funds are stated at cost. Cost is determined on a first-in, first out basis and is expensed when purchased.

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

**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.

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 \$1,000. 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 life are not. Interest incurred during the construction of 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>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

**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 type activities columns of the Statement of Net Assets.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**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 June 30, 2006, 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 with at least ten 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, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable 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.

**K. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, issuance costs are defined and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the Statement of Net Assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.A.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**L. 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.

**M. 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 the internal service fund 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, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**N. 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 materials and supplies, prepayments, property tax unavailable for appropriation, debt service, capital acquisition, and school bus purchase. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

**O. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

**P. Estimates**

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**Q. 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 when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**R. 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 charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

**S. Interfund Activity**

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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**B. Deficit Fund Balance**

Fund balances at June 30, 2006 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Management Information Systems	\$ 450
Ohio Reads	67
Poverty Based Assistance	64
Title I	16,091
Preschool for the Handicapped	149

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. 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.

**NOTE 4 – EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 4 – EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (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 on Hand**

At year-end, the District had \$12,565 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 4 – EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

**B. Cash Equivalents and Cash with Fiscal Agent**

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The account held by the fiscal agent at June 30, 2006 was \$639,356 and is not included in the “Deposits with Financial Institutions” below.

**C. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$8,136,432. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2006, \$8,149,879 of the District’s bank balance of \$8,581,566 was exposed to custodial risk as discussed below, while \$431,687 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.

**D. Investments**

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>6 months or less</u>
STAR Ohio	\$ 714,950	\$ 714,950
FHLB	<u>198,173</u>	<u>198,173</u>
	<u>\$ 913,123</u>	<u>\$ 913,123</u>

The weighted average maturity of investments is .08 years.

*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, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

*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, 2006:

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 714,950	78.30
FHLB	198,173	21.70
	<u>\$ 913,123</u>	<u>100.00</u>

**E. 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, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 8,136,432
Investments	913,123
Cash on hand	12,565
Cash with fiscal agent	<u>639,356</u>
Total	<u>\$ 9,701,476</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 9,603,632
Private-purpose trust funds	15,134
Agency funds	<u>82,710</u>
Total	<u>\$ 9,701,476</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund balances consisted of the following at June 30, 2006, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 7,130

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. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the Statement of Net Assets.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

<u>Transfers to Nonmajor Governmental funds from:</u>	<u>Amount</u>
General Fund	\$ 202,999
Nonmajor Government funds	308,781

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.

**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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. 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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 6 - PROPERTY TAXES - (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Fairfield, Franklin and Pickaway Counties. The County Auditors periodically advances to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$367,386 in the general fund and \$113,759 in the debt service fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2005 was \$601,200 in the general fund and \$178,444 in the debt service fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second		2006 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 263,778,450	90.82	\$ 306,661,690	91.20
Public utility personal	19,780,320	6.81	19,373,230	5.76
Tangible personal property	<u>6,879,433</u>	<u>2.37</u>	<u>10,202,854</u>	<u>3.04</u>
Total	<u>\$ 290,438,203</u>	<u>100.00</u>	<u>\$ 336,237,774</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 33.60		\$ 33.20	

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest 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	\$ 10,201,469
Accounts	8,711
Intergovernmental	142,667
Accrued interest	<u>55,061</u>
Total	<u>\$ 10,407,908</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year.

**NOTE 8 - INCOME TAX**

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2006</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,211,164	\$ -	\$ -	\$ 1,211,164
Total capital assets, not being depreciated	<u>1,211,164</u>	<u>-</u>	<u>-</u>	<u>1,211,164</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,285,313	25,300	-	4,310,613
Buildings and improvements	44,968,135	-	-	44,968,135
Furniture and equipment	4,792,965	380,640	(25,004)	5,148,601
Vehicles	<u>1,579,653</u>	<u>191,100</u>	<u>(116,225)</u>	<u>1,654,528</u>
Total capital assets, being depreciated	<u>55,626,066</u>	<u>597,040</u>	<u>(141,229)</u>	<u>56,081,877</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(773,527)	(197,389)	-	(970,916)
Buildings and improvements	(6,118,275)	(1,357,316)	-	(7,475,591)
Furniture and equipment	(1,597,354)	(421,296)	17,503	(2,001,147)
Vehicles	<u>(764,172)</u>	<u>(174,462)</u>	<u>116,225</u>	<u>(822,409)</u>
Total accumulated depreciation	<u>(9,253,328)</u>	<u>(2,150,463)</u>	<u>133,728</u>	<u>(11,270,063)</u>
Governmental activities capital assets, net	<u>\$ 47,583,902</u>	<u>\$ (1,553,423)</u>	<u>\$ (7,501)</u>	<u>\$ 46,022,978</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 9 - CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,572,458
Special	2,512
Vocational	65,070
<u>Support Services:</u>	
Pupil	5,069
Instructional staff	14,290
Board of education	4,005
Administration	9,548
Fiscal	1,076
Business	127,255
Operations and maintenance	26,379
Pupil transportation	178,805
Central	37,801
Extracurricular activities	63,513
Food service operations	<u>42,682</u>
Total depreciation expense	<u>\$ 2,150,463</u>

**NOTE 10 - CAPITALIZED LEASE - LESSEE DISCLOSURE**

During fiscal 2006, the District entered into a capitalized lease for copier equipment. In prior fiscal years, the District entered into capitalized leases for fitness, copier, and computer equipment. These lease agreements meet the criteria of 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. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the statement of net assets. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2006 totaled \$243,267 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2006:

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 10 - CAPITALIZED LEASE - LESSEE DISCLOSURE – (Continued)**

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 201,990
2008	185,259
2009	185,260
2010	185,262
2011	<u>10,594</u>
Total minimum lease payments	768,365
Less amount representing interest	<u>(99,401)</u>
Total	<u>\$ 668,964</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	<u>Balance at June 30, 2005</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at June 30, 2006</u>	<u>Amounts Due in One Year</u>
General obligation bonds	\$ 21,680,325	\$ 18,661,844	\$ (19,215,000)	\$ 21,127,169	\$ 765,000
Capital lease obligation	670,077	242,154	(243,267)	668,964	160,629
Compensated absences	<u>2,083,950</u>	<u>191,041</u>	<u>(410,806)</u>	<u>1,864,185</u>	<u>182,893</u>
Total	<u>\$ 24,434,352</u>	<u>\$ 19,095,039</u>	<u>\$ (19,869,073)</u>	<u>\$ 23,660,318</u>	<u>\$ 1,108,522</u>
Less: Unamortized deferred charge on refunding				(1,385,223)	
Add: Unamortized premium on refunding				<u>1,616,319</u>	
Total on statement of net assets				<u>\$ 23,891,414</u>	

- B. General Obligation Bonds - Series 2000: On September 5, 2000, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$22,100,000, and capital appreciation bonds, par value \$1,995,000. The interest rates on the current interest bonds range from 4.30% to 5.50%. The capital appreciation bonds mature on December 1, 2007 (effective interest 12.29%), December 1, 2008 (effective interest 12.29%) and December 1, 2009 (effective interest 12.29%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2006 was \$750,286. A total of \$737,314 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2006.

During fiscal year 2006, \$18,445,000 of the current interest bonds was refunded. The District paid \$610,000 in principal on the current interest bonds during 2006. None of the capital appreciation bonds were refunded.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2010.

The following is a schedule of activity for the series 2000 general obligation bonds:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>
Current interest bonds -				
2000 Series	\$ 20,360,000	\$ -	\$ (19,055,000)	\$ 1,305,000
Capital appreciation bonds -				
2000 Series	<u>1,320,325</u>	<u>167,275</u>	<u>-</u>	<u>1,487,600</u>
<b>Total</b>	<u>\$ 21,680,325</u>	<u>\$ 167,275</u>	<u>\$ (19,055,000)</u>	<u>\$ 2,792,600</u>

The following is a summary of the future debt service requirements to maturity for the series 2000 general obligation bonds:

Fiscal Year Ending June 30	<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>
2007	\$ 640,000	\$ 60,055	\$ 700,055	\$ -	\$ -	\$ -
2008	-	31,255	31,255	280,444	384,556	665,000
2009	-	31,255	31,255	248,916	416,084	665,000
2010	-	31,255	31,255	220,926	444,074	665,000
2011	<u>665,000</u>	<u>31,255</u>	<u>696,255</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ 1,305,000</u>	<u>\$ 185,075</u>	<u>\$ 1,490,075</u>	<u>\$ 750,286</u>	<u>\$ 1,244,714</u>	<u>\$ 1,995,000</u>

- C.** On July 28, 2005, the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund a portion of the Series 2000 Current Interest General Obligation Bonds (principal \$20,360,000). The issuance proceeds of \$18,444,995 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$18,170,000, and capital appreciation bonds, par value \$274,995. The capital appreciation bonds mature December 1, 2014 and December 1, 2015 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2006 was \$274,995. Total accreted interest of \$49,574 has been included in the statement of activities.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal 2006 on the 2006 series refunding bonds:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
Current interest bonds	\$ -	\$ 18,170,000	\$ (160,000)	\$ 18,010,000
Capital appreciation bonds	-	324,569	-	324,569
Total refunding bonds	<u>\$ -</u>	<u>\$ 18,494,569</u>	<u>\$ (160,000)</u>	<u>\$ 18,334,569</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$1,444,513. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next twenty-two years by 4.401% and resulted in an economic gain of \$810,660.

The following is a summary of the future debt service requirements to maturity for the 2006 series refunding bonds:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 125,000	\$ 814,907	\$ 939,907	\$ -	\$ -	\$ -
2008	125,000	811,158	936,158	-	-	-
2009	130,000	807,095	937,095	-	-	-
2010	150,000	802,870	952,870	-	-	-
2011	140,000	797,620	937,620	-	-	-
2012 - 2016	2,635,000	3,666,800	6,301,800	274,995	1,615,005	1,890,000
2017 - 2021	5,160,000	3,012,090	8,172,090	-	-	-
2022 - 2026	6,505,000	1,667,020	8,172,020	-	-	-
2027 - 2028	3,040,000	229,750	3,269,750	-	-	-
Total	<u>\$ 18,010,000</u>	<u>\$ 12,609,310</u>	<u>\$ 30,619,310</u>	<u>\$ 274,995</u>	<u>\$ 1,615,005</u>	<u>\$ 1,890,000</u>

**D. 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, 2006, are a voted debt margin of \$11,909,775 (including available funds of \$1,988,656) and an unvoted debt margin of \$336,238.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 12 - COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and state laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The administrators are generally granted twenty days of vacation per year.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Any vacation time which is unused as of the employee's anniversary date is expired and not available for use in a subsequent year unless approved by the Superintendent. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
0 - 9	10
10 - 19	15
20 - beyond	20

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for all employees, except administrators and 260 day and classified employees, is 210 days; 260 day administrators and classified employees may accumulate 295 days of sick leave. 205 day administrators may accumulate 232 days per year, based on 113 percent of teacher's accumulation of 210 days of sick leave for 185 days of service.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to a maximum of fifty-two and a half days. Additionally, the teachers of the District receive an additional retirement severance of \$10,000 if retirement is taken the first year of eligibility. Longevity pay of \$1,000 is granted to certified employees with twenty five or more years of service. The superintendent is entitled to one half of all accumulated sick leave.

**NOTE 13 - RISK MANAGEMENT**

**A. General Risk**

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. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate, plus \$1,000,000 umbrella.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss, plus \$1,000,000 umbrella.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 13 - RISK MANAGEMENT - (Continued)**

The District maintains replacement cost insurance on buildings and contents in the amount of \$59,624,227. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions of coverage from the prior years.

**B. Workers' Compensation - Public Entity Risk Pool**

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated. Each district is then placed at one of fourteen separate levels based on that district's experience. Each participant pays its workers' compensation premium to the state based on the rate for the group level rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**C. Health Insurance**

In October, 1994, the District joined the Ross County School Employees Insurance Consortium (RCSEIC) to self-insure its medical claims. RCSEIC currently includes 14 member school districts. Contributions are determined by the consortium's board of directors and are remitted monthly to the consortium's fiscal agent, who then pays all incurred claims. Thus actual cash "reserves" are held by the fiscal agent. Settlements have never exceeded insurance coverage.

Medical Mutual of Ohio, a third party administrator, services all health/medical claims and Professional Risk Management, Inc., a third party administrator, services all dental claims submitted by employees. An excess coverage insurance policy covers individual medical claims in excess of \$100,000 per employee consortium wide.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 13 - RISK MANAGEMENT - (Continued)**

The District utilizes a self-insurance fund for the purpose of tracking the fund's balance as held by the fiscal agent. Amounts are paid into this fund for the purpose of tracking the fund's balance as held by the fiscal agent. Amounts are paid into this fund from the general fund, Food Service fund, and certain special revenue funds (grants). Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on documentation obtained by the insurance carrier. A summary of changes in self-insurance claims for the years ended June 30, 2006 and June 30, 2005:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Claims liabilities at beginning of fiscal year	\$ 240,544	\$ 193,804
Incurred claims	2,866,021	2,305,685
Claims paid	<u>(2,804,443)</u>	<u>(2,258,945)</u>
Claims liabilities at end of fiscal year	<u>\$ 302,122</u>	<u>\$ 240,544</u>

**NOTE 14 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$343,732, \$312,199 and \$242,521, respectively; 51.09% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$168,131 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 14 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System**

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

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,682,721, \$1,576,293, and \$1,455,032, respectively; 82.68% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$291,363 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2006 were \$10,078 made by the District and \$29,640 made by plan members.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 14 - PENSION PLANS - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$129,440 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$170,049 to fund health care benefits, including the surcharge.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 15 - POSTEMPLOYMENT BENEFITS (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined 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); and
- (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).
- (d) Certain funds that are classified as part of the general fund (GAAP basis) are reported in other fund types on a cash basis (budget basis). These items are reflected as "fund reclassifications".

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:

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ (345,376)
Net adjustment for revenue accruals	48,683
Net adjustment for expenditure accruals	(635,807)
Net adjustment for other sources/uses	232,517
Adjustment for encumbrances	769,961
Adjustment for fund reclassification	<u>9,074</u>
GAAP basis	<u>\$ 79,052</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 17 - 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 general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2006.

**B. Litigation**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$27,252 per year. A portion of the refund may be recovered from additional State entitlement payments.

The District is involved in no other material litigation as either plaintiff or defendant.

**NOTE 18 - 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, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Maintenance</u>
Set-aside cash balance as of June 30, 2005	\$ -	\$ -
Current year set-aside requirement	483,884	483,884
Qualifying disbursements	<u>(532,234)</u>	<u>(390,400)</u>
Total	<u>\$ (48,350)</u>	<u>\$ 93,484</u>
Balance carried forward to FY 2007	<u>\$ -</u>	<u>\$ 93,484</u>

Although the District had offsets and qualifying disbursements during the year that reduced the textbook set-aside amounts below zero. 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, 2006 follows:

Amount restricted for school bus purchases	\$ 50,578
Amount restricted for capital acquisition	<u>93,484</u>
Total restricted assets	<u>\$ 144,062</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS**

In November 2006, the voters of the District approved a 3.9 mill levy that will supply \$21.5 million, which represents the District's local share of an OSFC construction project.

In November 2006, the District issued \$9.9 million of bond anticipation notes. In January 2007, another \$9.9 million of bond anticipation notes were issued.

TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation		10.550	\$0	\$89,990	\$0	\$89,990
Nutrition Cluster:						
School Breakfast Program	05-PU 2005	10.553	4,613	0	4,613	0
	05-PU 2006	10.553	21,639	0	21,639	0
<i>Total School Breakfast Program</i>			<u>26,252</u>	<u>0</u>	<u>26,252</u>	<u>0</u>
National School Lunch Program	LL-P4-2005	10.555	39,141	0	39,141	0
	LL-P4-2006	10.555	185,621	0	185,621	0
<i>Total National School Lunch Program</i>			<u>224,762</u>	<u>0</u>	<u>224,762</u>	<u>0</u>
<i>Total Nutrition Cluster</i>			<u>251,014</u>	<u>0</u>	<u>251,014</u>	<u>0</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>251,014</b>	<b>89,990</b>	<b>251,014</b>	<b>89,990</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies						
Title I Grants to Local Educational Agencies	C1-S1 - 2005	84.010	49,134	0	49,762	0
Title I Grants to Local Educational Agencies	C1-S1 - 2006	84.010	268,874	0	253,221	0
<i>Total Title 1 Grants to Local Educational Agencies</i>			<u>318,008</u>	<u>0</u>	<u>302,983</u>	<u>0</u>
Special Education Cluster:						
Special Education Grants to States	6B-SD - 2005	84.027	-8,825	0	0	0
Special Education Grants to States	6B-SD - 2006	84.027	45,206	0	35,823	0
Special Education Grants to States	6B-SF - 2005	84.027	44,220	0	52,822	0
Special Education Grants to States	6B-SF - 2006	84.027	578,866	0	537,430	0
<i>Total Special Education Grants to States</i>			<u>659,467</u>	<u>0</u>	<u>626,075</u>	<u>0</u>
Special Education - Preschool Grants	PG-S1 - 2005	84.173	1,175	0	1,214	0
Special Education - Preschool Grants	PG-S1 - 2006	84.173	19,087	0	19,087	0
<i>Total Special Education - Preschool Grants</i>			<u>20,262</u>	<u>0</u>	<u>20,301</u>	<u>0</u>
<i>Total Special Education Cluster</i>			<u>679,729</u>	<u>0</u>	<u>646,376</u>	<u>0</u>
Safe and Drug-Free Schools and Communities State Grants						
Safe and Drug-Free Schools and Communities State Grants	DR-S1 - 2005	84.186	0	0	1,575	0
Safe and Drug-Free Schools and Communities State Grants	DR-S1 - 2006	84.186	13,221	0	11,566	0
<i>Total Safe and Drug-Free Schools and Communities State Grants</i>			<u>13,221</u>	<u>0</u>	<u>13,141</u>	<u>0</u>
State Grants for Innovative Programs						
State Grants for Innovative Programs	C2-S1 - 2005	84.298	0	0	0	0
State Grants for Innovative Programs	C2-S1 - 2006	84.298	9,939	0	9,807	0
<i>Total State Grants for Innovative Programs</i>			<u>9,939</u>	<u>0</u>	<u>9,807</u>	<u>0</u>
Education Technology State Grants						
Education Technology State Grants	TJ-S1 - 2005	84.318	0	0	0	0
Education Technology State Grants	TJ-S1 - 2006	84.318	5,214	0	5,214	0
<i>Total Education Technology State Grants</i>			<u>5,214</u>	<u>0</u>	<u>5,214</u>	<u>0</u>
Advance Placement Program						
Advance Placement Program	AV-TF - 2004	84.330	104	0	0	0
<i>Total Advance Placement Program</i>			<u>104</u>	<u>0</u>	<u>0</u>	<u>0</u>
Improving Teacher Quality State Grants						
Improving Teacher Quality State Grants	TR-S1 - 2005	84.367	15,583	0	16,792	0
Improving Teacher Quality State Grants	TR-S1 - 2006	84.367	97,696	0	104,826	0
<i>Total Improving Teacher Quality State Grants</i>			<u>113,279</u>	<u>0</u>	<u>121,618</u>	<u>0</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>1,139,494</b>	<b>0</b>	<b>1,099,139</b>	<b>0</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through the Ohio Department of MRDD</i>						
State Children's Insurance Program	31-6402688	93.767	1,049	0	1,049	0
Medical Assistance Program	31-6402688	93.778	9,224	0	9,224	0
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>10,273</b>	<b>0</b>	<b>10,273</b>	<b>0</b>
<b>TOTALS</b>			<b>\$1,400,781</b>	<b>\$89,990</b>	<b>\$1,360,426</b>	<b>\$89,990</b>

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2006**

**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.



# Mary Taylor, CPA

## Auditor of State

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

Teays Valley Local School District  
Pickaway County  
385 Circleville Avenue  
Ashville, Ohio 43103

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Teays Valley Local School District, Pickaway County, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 7, 2007. 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 February 7, 2007, we reported other matters involving internal control over financial reporting which 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 such 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 February 7, 2007, we reported other matters related to noncompliance we deemed immaterial.

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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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

February 7, 2007



# Mary Taylor, CPA

Auditor of State

## 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

Teays Valley Local School District  
Pickaway County  
385 Circleville Avenue  
Ashville, Ohio 43103

To the Board of Education:

### Compliance

We have audited the compliance of Teays Valley Local School District, Pickaway 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 each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. 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 such other procedures as 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, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006.

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### **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.

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. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 7, 2007.

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.



**Mary Taylor, CPA**  
Auditor of State

February 7, 2007

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY  
JUNE 30, 2006**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I Grants To Local Educational Agencies – 84.010  Improving Teacher Quality State Grants – 84.367
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type AIB Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	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.





**Mary Taylor, CPA**  
Auditor of State

**TEAYS VALLEY LOCAL SCHOOL DISTRICT**  
**PICKAWAY 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 22, 2007**