TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

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Mary Taylor, CPA
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INDEPENDENT ACCOUNTANTS' REPORT

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

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 Tuscarawas Valley Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2008, 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 Tuscarawas Valley Local School District, Tuscarawas County, Ohio, as of June 30, 2008, 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 January 30, 2009, 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 30, 2009

The discussion and analysis of Tuscarawas Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities decreased $203,037 which represents a 3.70% decrease from 2007.

- General revenues accounted for $11,257,917 in revenue or 83.97% of all governmental activity revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for $2,149,054 or 16.03% of total governmental activity revenues of $13,406,971.

- The District had $13,610,008 in expenses related to governmental activities; $2,149,054 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 $11,257,917 were not adequate to provide for these programs.

- The District's major governmental funds are the general fund and debt service fund. The general fund had $11,343,998 in revenues and $11,847,890 in expenditures. The fund balance of the general fund decreased from $1,769,695 to $1,259,116.

- The debt service fund had $567,240 in revenues and $628,661 in expenditures. The fund balance of the debt service fund decreased from $728,354 to $666,933.

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 the debt service fund. The general fund is by far the most significant fund.

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 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the 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.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary Fund

The District maintains one 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 self-insurance of the District's medical, dental and vision benefits. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 25. 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 26-54 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2008 and 2007.

Net Assets

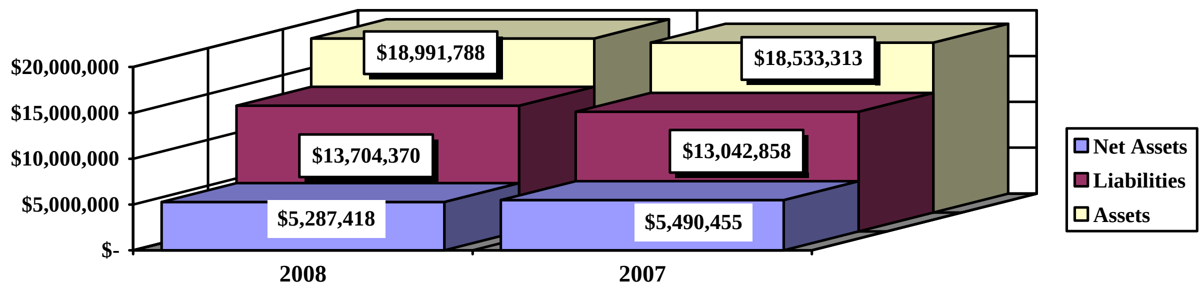
	Governmental Activities 2008	Governmental Activities 2007
Assets		
Current assets	$ 12,082,923	$ 11,394,684
Capital assets	6,908,865	7,138,629
Total assets	18,991,788	18,533,313
Liabilities		
Current liabilities	7,661,452	6,559,136
Long-term liabilities	6,042,918	6,483,722
Total liabilities	13,704,370	13,042,858
Net Assets		
Invested in capital assets, net of related debt	3,208,758	2,890,707
Restricted	946,672	994,353
Unrestricted	1,131,973	1,605,395
Total net assets	$ 5,287,403	$ 5,490,455

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by $5,287,418.

At year-end, capital assets represented 36.38% 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, 2008, were $3,208,758. 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 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, $946,672, represents resources that are subject to external restriction on how they may be used. The remaining balance of net assets, $1,131,973 is unrestricted in use. The table below provides a summary of the District's assets, liabilities, and net assets for 2008 and 2007.

Governmental - Net Assets



The table below shows the changes in net assets for fiscal years 2008 and 2007.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Revenues		
Program revenues:		
Charges for services and sales	$ 879,717	$ 1,034,818
Operating grants and contributions	1,258,970	1,209,095
Capital grants and contributions	10,367	14,795
General revenues:		
Property taxes	4,853,169	6,360,296
Grants and entitlements	6,189,208	5,960,057
Investment earnings	122,446	163,644
Other	93,094	72,468
Total revenues	13,406,971	14,815,173

	Governmental Activities 2008	Governmental Activities 2007
Expenses		
Program expenses:		
Instruction:		
Regular	$ 5,642,596	$ 5,622,075
Special	728,505	783,327
Vocational	70,812	139,358
Other	1,010,490	820,063
Support services:		
Pupil	579,792	505,477
Instructional staff	825,281	790,485
Board of education	29,552	23,488
Administration	968,164	1,046,721
Fiscal	347,340	307,059
Operations and maintenance	1,051,175	1,170,360
Pupil transportation	932,647	813,187
Central	46,796	29,784
Operation of non-instructional services:		
Food service operations	611,610	565,041
Extracurricular activities	446,337	496,106
Interest and fiscal charges	318,911	344,627
Total expenses	13,610,008	13,457,158
Changes in net assets	(203,037)	1,358,015
Net assets at beginning of year	5,490,455	4,132,440
Net assets at end of year	$ 5,287,418	$ 5,490,455

Governmental Activities

Net assets of the District's governmental activities decreased $203,037. Total governmental expenses of $13,610,008 were offset by program revenues of $2,149,054, and general revenues of $11,257,917. Program revenues supported 15.79% of the total governmental expenses.

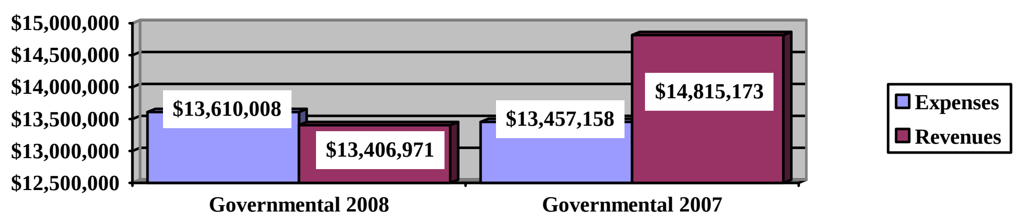
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 82.36% of total governmental revenue. Real estate property is reappraised every six years. Although recent growth has had a positive effect on the District's tax base, the full tax revenue impact has not been realized due to H.B. 920. This state law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property values. Increases in valuation prompt corresponding annual reductions in the "effective millage", the tax rates applied to real property. H.B. 920 also provided a "floor" of 20 mills to which "effective millage" would not be reduced below. The District is at the 20 mill floor for Residential Real Estate Tax. Thus, although District tax valuation continues to grow, this built-in revenue limitation is one of the factors that require the District to request additional school operating revenue by placing a levy on the ballot periodically.

Voters approved the last additional operating levy in February 1997 which was a renewable 5 year emergency levy in the annual amount of $947,500. This levy was also renewed in May 2002. This levy amount required 8 mills to be levied in 1997. In 2003 only 5.7 mills were required to be levied to generate $947,500. This levy and all other current levies are expected to provide adequate revenue for general fund operating expenses through the fiscal year 2008. Unless there is an unexpected adjustment in State funding, an additional operating levy will be required in the next twelve to eighteen months.

The District's financial condition is stable as of the end of fiscal year 2008. This trend is expected to continue the next two years. The principal cause is stagnate growth in revenue coupled with major increases in health insurance costs, special education costs, and utility costs.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2008 and 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

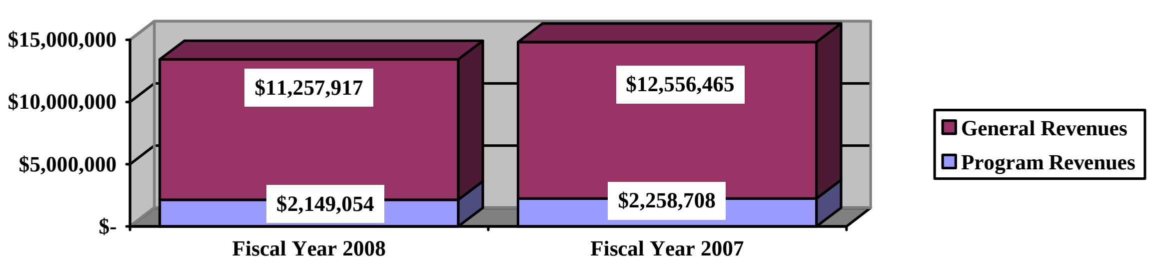
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses:				
Instruction:				
Regular	$ 5,642,596	$ 5,120,643	$ 5,622,075	$ 5,016,691
Special	728,505	224,493	783,327	385,266
Vocational	70,812	58,288	139,358	131,200
Other	1,010,490	1,010,490	820,063	820,063
Support services:				
Pupil	579,792	482,303	505,477	454,032
Instructional staff	825,281	599,091	790,485	469,334
Board of Education	29,552	29,552	23,488	23,488
Administration	968,164	907,699	1,046,721	987,157
Fiscal	347,340	347,340	307,059	307,059
Operations and maintenance	1,051,175	1,047,338	1,170,360	1,164,313
Pupil transportation	932,647	902,145	813,187	765,886
Central	46,796	34,796	29,784	14,784
Operation of non-instructional services:				
Food service operations	611,610	114,625	565,041	52,874
Extracurricular activities	446,337	263,240	496,106	261,676
Interest and fiscal charges	318,911	318,911	344,627	344,627
Total expenses	$ 13,610,008	$ 11,460,954	$ 13,457,158	$ 11,198,450

The dependence upon tax revenues during fiscal year 2008 for governmental activities is apparent, as 86.07% of 2008 instruction activities are supported through taxes and other general revenues. The District's taxpayers and unrestricted grants, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Governmental Funds

The District's governmental funds (as presented on the Balance Sheet on page 17) reported a combined fund balance of $1,963,208, which is $621,085 below last year's total of $2,584,293. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30,2008	Fund Balance June 30, 2007	(Decrease)
General	$ 1,259,116	$ 1,769,695	$ (510,579)
Debt Service	666,933	728,354	(61,421)
Other Governmental	37,159	86,244	(49,085)
Total	$ 1,963,208	$ 2,584,293	$ (621,085)

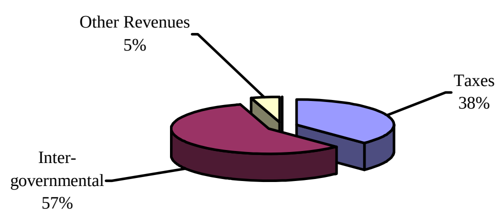
General Fund

The District's general fund balance decreased $510,579 during 2008. This was due to several different factors. First, revenues decreased by 8.88%. Next, our expenditures decreased by 0.06% which is lower than the revenue decrease.

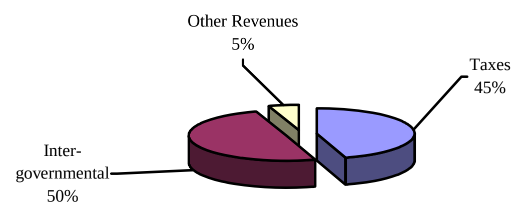
	2008 Amount	2007 Amount	Percentage Change
Revenues			
Taxes	$ 4,282,279	$ 5,630,272	(23.94) %
Intergovernmental	6,520,341	6,181,586	5.48 %
Other revenues	541,378	637,769	(15.11) %
Total	$ 11,343,998	$ 12,449,627	(8.88) %

Tax revenue decreased by $ 1,347,993 or 23.94% from fiscal 2007. Intergovernmental revenue increased $338,755 or 5.48% from the prior year. Other revenues decreased $96,391 or 15.11% partially due to a significant decrease of $41,198 in interest revenue due to decreases in federal interest rates during 2008, and a $25,504 decrease in tuition income, due to decreases in open enrollment.

Revenues - Fiscal Year 2008



Revenues - Fiscal Year 2007

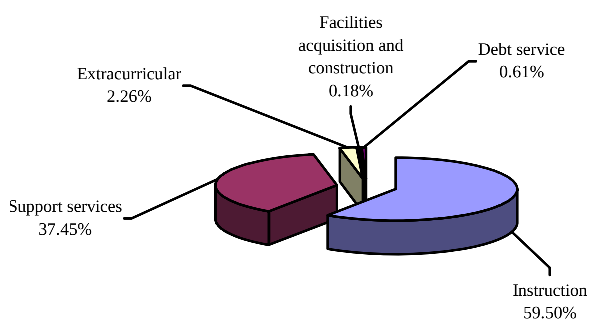


The table that follows assists in illustrating the expenditures of the general fund.

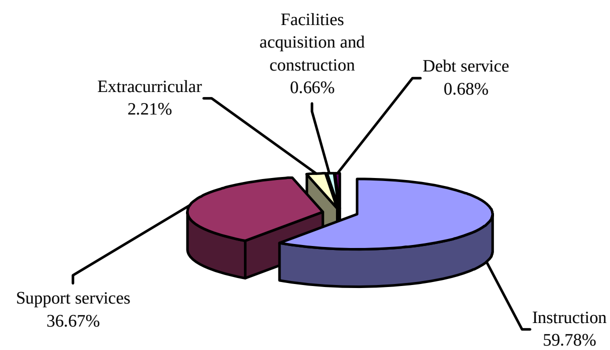
	2008 Amount	2007 Amount	Percentage Change
Expenditures			
Instruction	$ 7,050,241	$ 7,086,762	(0.52) %
Support services	4,437,311	4,347,647	2.06 %
Extracurricular activities	267,300	261,794	2.10 %
Facilities acquisition and construction	20,794	77,652	(73.22) %
Debt service	72,244	81,177	(11.00) %
Total	$ 11,847,890	$ 11,855,032	(0.06) %

Facilities acquisition and construction decreased because there was a reduction in capital acquisition during 2008.

Expenditures - Fiscal Year 2008



Expenditures - Fiscal Year 2007



Debt Service Fund

The debt service fund had $567,240 in revenues and $628,661 in expenditures. The fund balance of the debt service fund decreased $61,421 from $728,354 to $666,933.

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 2008, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original budgeted revenues and other financing sources were $11,810,500. Final budgeted revenues of $12,237,400 were $19,393, above actual revenues and other financing sources of $12,218,007. Of this $19,393 difference, most was due to tax, intergovernmental and investment earning estimates in the original and final budget.

General fund original appropriations (appropriated expenditures plus other financing uses) were $12,171,019 and final appropriations were $12,171,019. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled $12,017,991, which was $153,028 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

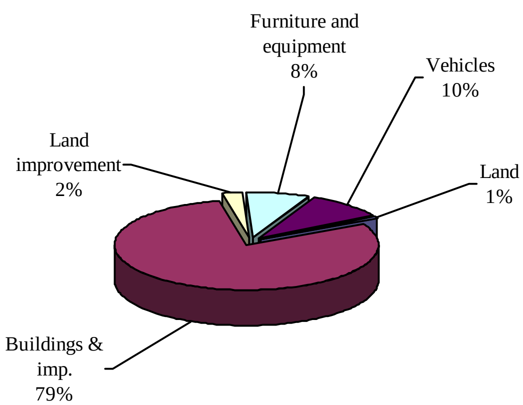
At the end of fiscal 2008, the District had $6,908,865 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. The following table shows fiscal 2008 balances compared to 2007:

Capital Assets at June 30
(Net of Depreciation)

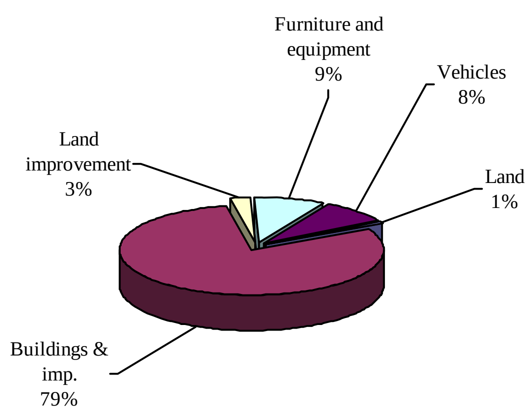
	Governmental Activities 2008	Governmental Activities 2007
Land	$ 46,031	$ 46,031
Land improvements	179,542	187,524
Buildings and improvements	5,480,912	5,681,821
Furniture and equipment	532,459	610,979
Vehicles	669,921	612,274
Total	$ 6,908,865	$ 7,138,629

The following graphs show the breakdown of governmental activities capital assets by category for 2008 and 2007.

Capital Assets - Governmental Activities 2008



Capital Assets - Governmental Activities 2007



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

Debt Administration

At June 30, 2008 the District had $5,151,444 in general obligation bonds and, $75,000 in energy conservation loans outstanding. Of the total outstanding debt, $505,000 is due within one year and $4,721,444 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2008	Governmental Activities 2007
General obligation bonds:		
Current interest bonds	$ 2,565,000	$ 3,015,000
Capital appreciation bonds	2,586,444	2,406,837
Energy conservation loans	75,000	110,000
Total	$ 5,226,444	$ 5,531,837

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

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

At June 30, 2008 the District's overall legal debt margin was $15,506,936 (including available funds of $666,933) and an unvoted debt margin of $204,166.

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

Current Financial Related Activities

As the preceding information shows, the District relies heavily upon grants, entitlements, and property taxes. It is projected that with the current fund balance, the District will have the necessary funds to meet its operating expenses through fiscal year 2009. In order to maintain the current curricular and co-curricular programs for our students, an additional operating levy will be required in the near future.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Kellie Lester, Treasurer, Tuscarawas Valley Local School District, 2637 Tuscarawas Valley Road NE, Zoarville, Ohio 44656.

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2008

		Governmental Activities
Assets:		
Equity in pooled cash and cash equivalents. . .	$	3,073,516
Cash with fiscal agent		2,127,065
Receivables:		
Taxes		6,767,490
Intergovernmental		36,840
Prepayments		21,410
Materials and supplies inventory		56,602
Capital assets:		
Land		46,031
Depreciable capital assets, net		6,862,834
Capital assets, net.		6,908,865
Total assets.		18,991,788
Liabilities:		
Accounts payable.		60,872
Accrued wages and benefits		1,173,998
Pension obligation payable.		282,906
Intergovernmental payable		56,393
Unearned revenue		5,747,289
Accrued interest payable		14,861
Claims payable		325,133
Long-term liabilities:		
Due within one year.		661,777
Due within more than one year		5,381,141
Total liabilities		13,704,370
Net Assets:		
Invested in capital assets, net of related debt.		3,208,758
Restricted for:		
Capital projects		15
Debt service.		705,807
Locally funded programs		6,705
State funded programs		109
Federally funded programs		23,949
Student activities		87,848
Other purposes		122,254
Unrestricted.		1,131,973
Total net assets	$	5,287,418

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		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
Governmental activities:					
Instruction:					
Regular	$ 5,642,596	$ 394,177	$ 127,776	$ -	$ (5,120,643)
Special	728,505	11,187	492,825	-	(224,493)
Vocational	70,812	-	12,524	-	(58,288)
Other	1,010,490	-	-	-	(1,010,490)
Support services:					
Pupil	579,792	-	97,489	-	(482,303)
Instructional staff	825,281	3,426	222,764	-	(599,091)
Board of education	29,552	-	-	-	(29,552)
Administration.	968,164	-	60,465	-	(907,699)
Fiscal	347,340	-	-	-	(347,340)
Operations and maintenance.	1,051,175	3,837	-	-	(1,047,338)
Pupil transportation	932,647	-	20,135	10,367	(902,145)
Central	46,796	-	12,000	-	(34,796)
Operation of non-instructional services:					
Food service operations	611,610	300,902	196,083	-	(114,625)
Extracurricular activities	446,337	166,188	16,909	-	(263,240)
Interest and fiscal charges	318,911	-	-	-	(318,911)
Total governmental activities	$ 13,610,008	$ 879,717	$ 1,258,970	$ 10,367	(11,460,954)

General Revenues:	
Property taxes levied for:	
General purposes	4,347,242
Debt service.	505,927
Grants and entitlements not restricted to specific programs.	6,189,208
Investment earnings	122,446
Miscellaneous	93,094
Total general revenues	11,257,917
Change in net assets	(203,037)
Net assets at beginning of year	5,490,455
Net assets at end of year	$ 5,287,418

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash				
and cash equivalents	$ 2,108,402	$ 623,963	$ 223,024	$ 2,955,389
Receivables:				
Taxes	6,121,955	645,535	-	6,767,490
Intergovernmental	-	-	36,840	36,840
Interfund loans	26,722	-	-	26,722
Prepayments	21,410	-	-	21,410
Materials and supplies inventory	47,386	-	9,216	56,602
Restricted assets:				
Equity in pooled cash				
and cash equivalents	118,127	-	-	118,127
Total assets	$ 8,444,002	$ 1,269,498	$ 269,080	$ 9,982,580
Liabilities:				
Accounts payable	$ 22,732	$ -	$ 38,140	$ 60,872
Accrued wages and benefits	1,076,747	-	97,251	1,173,998
Compensated absences payable	61,023	-	17,648	78,671
Pension obligation payable	250,600	-	32,306	282,906
Intergovernmental payable	52,870	-	3,523	56,393
Interfund loan payable	-	-	26,722	26,722
Deferred revenue	522,455	53,735	16,331	592,521
Unearned revenue	5,198,459	548,830	-	5,747,289
Total liabilities	7,184,886	602,565	231,921	8,019,372
Fund Balances:				
Reserved for encumbrances	3,269	-	16,290	19,559
Reserved for materials and				
supplies inventories	47,387	-	9,216	56,603
Reserved for prepayments	21,410	-	-	21,410
Reserved for debt service	-	623,963	-	623,963
Reserved for property tax unavailable				
for appropriation	401,041	42,970	-	444,011
Reserved for textbooks	66,691	-	-	66,691
Reserved for capital acquisitons	51,436	-	-	51,436
Unreserved, undesignated, reported in:				
General fund	667,882	-	-	667,882
Special revenue funds	-	-	11,638	11,638
Capital projects funds	-	-	15	15
Total fund balances	1,259,116	666,933	37,159	1,963,208
Total liabilities and fund balances	$ 8,444,002	$ 1,269,498	$ 269,080	$ 9,982,580

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		$ 1,963,208
Amounts reported for governmental activities on the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,908,865
Other long-term assets (taxes) are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	$ 576,190	
Intergovernmental revenue	16,331	
Total		592,521
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.		1,801,932
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(14,861)
Long-term liabilities, including bonds, loans and capital leases payable are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(647,677)	
General obligation bonds payable	(5,151,444)	
Energy conservation loan payable	(75,000)	
Capital lease obligation payable	(90,126)	
Total		(5,964,247)
Net assets of governmental activities		$ 5,287,418

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes	$ 4,282,279	$ 499,982	$ -	$ 4,782,261
Tuition	346,284	-	-	346,284
Earnings on investments	122,446	-	-	122,446
Charges for services	-	-	300,902	300,902
Classroom materials and fees	62,406	-	100	62,506
Extracurricular	-	-	136,627	136,627
Other local revenues	10,242	-	62,284	72,526
Intergovernmental - State	6,520,341	67,258	118,959	6,706,558
Intergovernmental - Federal	-	-	739,941	739,941
Total revenue	11,343,998	567,240	1,358,813	13,270,051
Expenditures:				
Current:				
Instruction:				
Regular	5,368,793	-	122,312	5,491,105
Special	601,691	-	146,722	748,413
Vocational	69,267	-	-	69,267
Other	1,010,490	-	-	1,010,490
Support Services:				
Pupil	467,876	-	112,950	580,826
Instructional staff	584,260	-	239,232	823,492
Board of education	30,744	-	-	30,744
Administration	909,903	-	64,145	974,048
Fiscal	335,409	11,396	-	346,805
Operations and maintenance	1,062,203	-	-	1,062,203
Pupil transportation	1,013,633	-	5,516	1,019,149
Central	33,283	-	14,521	47,804
Operation of non-instructional services:				
Food service operations	-	-	544,127	544,127
Extracurricular activities	267,300	-	178,753	446,053
Facilities acquisition and construction	20,794	-	-	20,794
Debt service:				
Principal retirement	62,815	485,000	-	547,815
Interest and fiscal charges	9,429	132,265	-	141,694
Total expenditures	11,847,890	628,661	1,428,278	13,904,829
Excess of revenues under expenditures	(503,892)	(61,421)	(69,465)	(634,778)
Other financing sources (uses):				
Transfers in	-	-	17,156	17,156
Transfers (out)	(17,156)	-	-	(17,156)
Sale of capital assets	21,340	-	-	21,340
Total other financing sources (uses)	4,184	-	17,156	21,340
Net change in fund balances	(499,708)	(61,421)	(52,309)	(613,438)
Fund balances				
at beginning of year	1,769,695	728,354	86,244	2,584,293
Increase (decrease) in reserve for inventory	(10,871)	-	3,224	(7,647)
Fund balances at end of year	$ 1,259,116	$ 666,933	$ 37,159	$ 1,963,208

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds		$ (613,438)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	$ 155,097	
Current year depreciation	(300,756)	
Total		(145,659)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(84,105)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		(7,647)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	70,908	
Intergovernmental revenue	(20,677)	
Total		50,231
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		547,815
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
Accrued interest	2,390	
Accreted interest on capital appreciation bonds	(179,607)	
Total		(177,217)
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.		14,595
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.		212,388
Change in net assets of governmental activities		$ (203,037)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	**Final**	**Actual**	
Revenues:				
From local sources:				
Taxes	$ 4,926,752	$ 5,104,834	$ 5,096,744	$ (8,090)
Tuition	334,734	346,834	346,284	(550)
Earnings on investments	118,363	122,640	122,446	(194)
Classroom materials and fees	61,900	64,138	64,036	(102)
Other local revenues	9,900	10,258	10,242	(16)
Intergovernmental - State	6,305,179	6,533,084	6,522,731	(10,353)
Total revenue	11,756,828	12,181,788	12,162,483	(19,305)
Expenditures:				
Current:				
Instruction:				
Regular	5,411,659	5,411,659	5,495,578	(83,919)
Special	750,875	750,875	639,995	110,880
Vocational	90,936	90,936	82,900	8,036
Other	738,683	738,683	1,021,422	(282,739)
Support services:				
Pupil	543,582	543,582	465,253	78,329
Instructional staff	610,392	610,392	575,679	34,713
Board of education	29,944	29,944	28,945	999
Administration	1,073,037	1,073,037	916,829	156,208
Fiscal	322,025	322,025	331,264	(9,239)
Business	36,000	36,000	26,853	9,147
Operations and maintenance	1,122,126	1,122,126	1,043,078	79,048
Pupil transportation	885,060	885,060	1,011,266	(126,206)
Central	28,000	28,000	26,837	1,163
Extracurricular activities	267,700	267,700	267,528	172
Facilities acquisition and construction	116,000	116,000	20,835	95,165
Debt service:				
Principal retirement	45,000	45,000	41,573	3,427
Total expenditures	12,071,019	12,071,019	11,995,835	75,184
Excess of revenues over (under)expenditures	(314,191)	110,769	166,648	55,879
Other financing (uses):				
Refund of prior year expenditure	7,684	7,961	7,949	(12)
Transfers (out)	(50,000)	(50,000)	(17,156)	32,844
Advances in	25,360	26,277	26,235	(42)
Advances (out)	(50,000)	(50,000)	(5,000)	45,000
Proceeds from sale of capital assets	20,628	21,374	21,340	(34)
Total other financing (uses)	(46,328)	(44,388)	33,368	77,756
Net change in fund balance	(360,519)	66,381	200,016	133,635
Fund balance at beginning of year	1,931,606	1,931,606	1,931,606	-
Prior year encumbrances appropriated	71,019	71,019	71,019	-
Fund balance at end of year	$ 1,642,106	$ 2,069,006	$ 2,202,641	$ 133,635

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash with fiscal agent.	$ 2,127,065
Total assets	2,127,065
Liabilities:	
Claims payable	325,133
Total liabilities	325,133
Net assets:	
Unrestricted	1,801,932
Total net assets.	$ 1,801,932

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services.	$ 1,442,848
Total operating revenues	1,442,848
Operating expenses:	
Personal services	21,251
Claims expense	1,295,898
Total operating expenses	1,317,149
Operating income	125,699
Nonoperating revenues:	
Interest revenue	86,689
Total nonoperating revenues	86,689
Change in net assets	212,388
Net assets at beginning of year.	1,589,544
Net assets at end of year	$ 1,801,932

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services. . . .	$ 1,442,848
Cash payments for personal services	(21,251)
Cash payments for claims	(1,207,763)
Net cash provided by operating activities	213,834
Cash flows from investing activities:	
Interest received	86,689
Net cash provided by investing activities.	86,689
Net increase in cash and cash equivalents.	300,523
Cash with fiscal agent at beginning of year. . .	1,826,542
Cash with fiscal agent at end of year	$ 2,127,065
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 125,699
Adjustments:	
Increase in claims payable	88,135
Net cash provided by operating activities	$ 213,834

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

		Agency
Assets:		
Equity in pooled cash and cash equivalents	$	58,956
Total assets.	$	58,956
Liabilities:		
Accounts payable.	$	1,683
Due to students		57,273
Total liabilities	$	58,956

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 329th largest by total enrollment among the 896 public school districts and community schools in the State. It operates under a locally-elected, five-member Board and provides educational services as authorized and mandated by State and federal agencies. The Board controls the District's 5 instructional support facilities staffed by 75 classified employees and 116 certified teaching personnel and 6 administrators, who provide services to 1,642 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activity and to its proprietary funds 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." When applying GASB Statement No. 14, management has considered all potential component units. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the debt, the issuance of debt, or the levying of taxes. Based upon the application of this criteria, the District has no component units. The financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School
The Buckeye Joint Vocational School (the "JVS") is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The JVS Board of Education is comprised of representatives from the Board of each participating school district. The JVS Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The District's students may attend the vocational school. Each school district's control is limited to its representation on the JVS Board. During fiscal year 2008, no monies were paid to the JVS by the District.

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

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

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

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

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

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

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

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

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

PUBLIC ENTITY RISK POOLS

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

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary 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 District's internal service fund reports on a self-insurance program for employee medical benefits.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is one agency fund to account for student managed activities.

C. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of proprietary funds are included on the Statement of Net Assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

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 include personal services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do 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. Governmental funds use the modified accrual basis of accounting on the fund financial statements. 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.

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

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

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

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.

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

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 2008 is as follows:

1. On July 25, 2002, the Tuscarawas County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by May 1. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenues and debt requirements (principal and interest) and amortization schedules for the debt service fund and balances and total anticipated activity for all other funds.

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Certificate of Estimated Resources issued for fiscal year 2008.

3. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

6. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either re-allocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2008.

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

7. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

F. Cash and Investments

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

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

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to $122,446, which includes $67,713 assigned from other District funds.

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

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

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

G. Inventory

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded 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 expended 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 fund. 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 five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of 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 (with an estimated 10% salvage value):

Description	Estimated Lives
Land improvements	20 years
Buildings/improvements	25 - 50 years
Furniture/equipment	5 - 20 years
Vehicles	6 - 15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loan receivables/payables.” These amounts are eliminated in the governmental activities columns of the Statement of Net Assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave 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.

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

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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service or any age with twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments 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 and long-term loans are recognized as a liability in the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepayments, property taxes unavailable for appropriation, debt service, capital acquisitions and textbooks. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

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

M. Net Assets

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

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

N. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

O. Estimates

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

P. Restricted Assets

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for self-insurance programs. Operating expenses are claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating.

R. Interfund Activity

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

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

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

Nonmajor funds	Deficit
Food service	$ 80,372
EMIS	10
Public school preschool	750
Ohio reads	223
Title II-A	6,480

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

2. Bonds, notes, debentures, or any other obligations or 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 items (1) and (2) above 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.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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

A. Cash with Fiscal Agent

At year-end, the District had $2,127,065 cash held by the fiscal agent which cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants.

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was $2,466,491, exclusive of the $261,980 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, $2,462,617 of the District's bank balance of $2,662,817 was exposed to custodial risk as discussed below, while $200,000 was covered by the 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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2008, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities 6 months or less
Repurchase agreement	$ 261,980	$ 261,980
STAR Ohio	404,001	404,001
Total	$ 665,981	$ 665,981

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Credit Risk: The District's investments in the federal agency securities that underlie the District's repurchase agreement, were rated Aaa by Moody's Investor Services. Standard & Poor's has assigned STAR Ohio an AAAm money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's $261,980 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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, 2008:

Investment type	Fair Value	% to Total
Repurchase agreement	$ 261,980	39.34
STAR Ohio	404,001	60.66
	$ 665,981	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

Cash and investments per note		
Carrying amount of deposits	$	2,466,491
Investments		665,981
Cash with fiscal agent		2,127,065
Total	$	5,259,537
Cash and investments per statement of net assets		
Governmental activities	$	5,200,581
Agency fund		58,956
Total	$	5,259,537

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund loans receivable/payable consisted of the following at June 30, 2008, as reported on the fund statements:

Receivable fund	Payable fund	Amount
General fund	Nonmajor governmental funds	$ 26,722

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. Interfund loans between governmental activities are eliminated on the statement of net assets thus no internal balances.

B. Interfund transfers for the year ended June 30, 2008 consisted of the following, as reported on the fund financial statements:

Transfers from the general fund to:	
Nonmajor governmental funds	$ 17,156

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. Transfers between governmental funds are eliminated in the Statement of Activities.

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 year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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.

NOTE 6 - PROPERTY TAXES – (Continued)

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. 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.

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 2008-2010, 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 Tuscarawas County and Stark County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 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 unearned revenue.

The amount available as an advance at June 30, 2008 was $401,041 in the general fund and $42,970 in the debt service fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was $1,174,017 in the general fund and $126,280 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 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 183,400,856	91.48	$ 195,564,290	93.32
Public utility personal	9,778,480	4.88	8,740,510	4.17
Tangible personal property	7,298,287	3.64	5,253,440	2.51
Total	$ 200,477,623	100.00	$ 209,558,240	100.00
Tax rate per $1,000 of assessed valuation	$39.80		$39.10	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities	
Taxes - current and delinquent	$ 6,767,490
Intergovernmental	36,840
Total receivables	$ 6,804,330

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 46,031	$ -	$ -	$ 46,031
Total capital assets, not being depreciated	46,031	-	-	46,031
Capital assets, being depreciated:				
Land improvements	488,473	-	-	488,473
Building/improvements	9,068,878	-	(143,476)	8,925,402
Furniture/equipment	1,245,099	16,828	(51,403)	1,210,524
Vehicles	1,131,381	138,269	(83,651)	1,185,999
Total capital assets, being depreciated	11,933,831	155,097	(278,530)	11,810,398
Less: accumulated depreciation				
Land improvements	(300,949)	(7,982)	-	(308,931)
Building/improvements	(3,387,057)	(167,073)	109,640	(3,444,490)
Furniture/equipment	(634,120)	(63,051)	19,106	(678,065)
Vehicles	(519,107)	(62,650)	65,679	(516,078)
Total accumulated depreciation	(4,841,233)	(300,756)	194,425	(4,947,564)
Governmental activities capital assets, net	$ 7,138,629	$ (145,659)	$ (84,105)	$ 6,908,865

NOTE 8 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 160,917
Special	9,781
Support services:	
Pupil	1,978
Instructional staff	8,135
Administration	7,907
Fiscal	543
Operations and maintenance	15,059
Pupil transportation	65,847
Extracurricular	6,492
Food service operations	24,097
Accumulated depreciation	$ 300,756

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Governmental activities capital assets consisting of phone equipment have been capitalized in the amount of $393,539. This amount represents the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability is recorded in the statement of net assets. Principal and interest payments in the 2008 fiscal year totaled $62,815 and $9,429, respectively. These amounts are reported as debt service payments of the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008:

Fiscal Year Ending June 30,	Amount
2009	$ 45,444
2010	45,444
2011	7,574
Total	98,462
Less: amount representing interest	(8,336)
Present value of net minimum lease payments	$ 90,126

NOTE 10 - LONG-TERM OBLIGATIONS

A. On June 3, 1999, the District issued $6,949,981 general obligation various purpose refunding bonds. The issue is comprised of both current interest bonds, par value $5,980,000, and capital appreciation bonds, par value $969,981. The interest rates on the current interest bonds range from 3.40% to 5.35%. The proceeds of the bonds were used to advance refund the District's 1995 general obligation school improvement bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding. The principal balance of the general obligation various purpose refunded bonds at June 30, 2008 was $2,565,000.

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

The capital appreciation bonds mature in various installments between December 1, 2013 and December 1, 2019 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The capital appreciation bonds have effective interest rates between 8.0839% and 8.9204%. The accreted value at maturity for the capital appreciation bonds is $4,085,000. A total of $1,616,463 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2008.

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

The following is a schedule of activity for fiscal year 2008 for the 1999 series general obligation bonds:

	Balance June 30, 2007	Appreciation	Reduction	Balance June 30, 2008
Current interest bonds	$ 3,015,000	$ -	$ (450,000)	$ 2,565,000
Capital appreciation bonds	2,406,837	179,607	-	2,586,444
Total G.O. bonds	$ 5,421,837	$ 179,607	$ (450,000)	$ 5,151,444

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

Fiscal	Current Interest Bonds			Capital Appreciation Bonds		
Year Ending,	Principal	Interest	Total	Principal	Interest	Total
2009	$ 470,000	$ 105,877	$ 575,877	$ -	$ -	$ -
2010	490,000	84,752	574,752	-	-	-
2011	515,000	62,134	577,134	-	-	-
2012	535,000	38,112	573,112	-	-	-
2013	555,000	12,904	567,904	-	-	-
2014 - 2018	-	-	-	733,667	2,186,333	2,920,000
2019 - 2020	-	-	-	236,314	928,686	1,165,000
Total	$ 2,565,000	$ 303,779	$ 2,868,779	$ 969,981	$ 3,115,019	$ 4,085,000

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. The District also has energy conservation loans outstanding at June 30, 2008. The energy conservation loans were issued in fiscal years 1997 and 2000 pursuant to Section 3313.372 of the Ohio Revised Code in anticipation of energy cost savings to be realized from an energy conservation project under House Bill 264. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. Unmatured obligations are accounted for in the statement of net assets.

Fiscal Year Ending,	Principal on Loans	Interest on Loans	Total
2009	$ 35,000	$ 4,923	$ 39,923
2010	40,000	2,360	42,360
Total	$ 75,000	$ 7,283	$ 82,283

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

	Balance at June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Due in One year
Governmental activities:					
General obligation bonds payable	$ 5,421,837	$ 179,607	$ (450,000)	$ 5,151,444	$ 470,000
Energy conservation loans	110,000	-	(35,000)	75,000	35,000
Capital lease obligation	152,941	-	(62,815)	90,126	39,667
Compensated absences:					
Severance	735,379	34,350	(92,188)	677,541	78,671
Vacation leave	63,565	30,734	(45,492)	48,807	38,439
Total compensated absences	798,944	65,084	(137,680)	726,348	117,110
Total governmental activities long-term liabilities	$ 6,483,722	$ 244,691	$ (685,495)	$ 6,042,918	$ 661,777

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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of $15,506,936 (including available funds of $666,933) and an unvoted debt margin of $204,166.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District contracted with Indiana Insurance Company for property and fleet insurance. Coverages provided by Indiana Insurance are as follows:

Building and Contents - replacement cost ($2,500 deductible)	
Boiler and Machinery ($2,500 deductible)	
Inland Marine Coverage ($250 deductible)	$30,522,141
Additional Coverage for portable items	$189,533
Automobile Liability - collision	$1,000,000 & $1,000,000 umbrella
(Collision $1,000 deductible, comprehensive $50 deductible)	
Uninsured Motorists ($0 deductible)	$1,000,000 & $1,000,000 umbrella
Umbrella coverage	$1,000,000

Professional liability is protected by The Indiana Insurance Company with a $1,000,000 single occurrence limit, a $1,000,000 aggregate limit, and no deductible on the umbrella, but a $2,500 deductible on the first $1,000,000. The Miller & Miller Insurance Agency also maintains $25,000 public official bonds for the Board President, Superintendent, and Assistant Treasurer. The $25,000 bond for the Treasurer is provided by Traveler's Casualty and Surety Company of America through Hylant Group. In addition, the Utica National Insurance Group provides public employee blanket bond for other employees.

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

B. Workers' Compensation Rating Program

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

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Employee Medical Benefits

The District provides employee medical/surgical benefits through a self-insured plan and maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. The plan provides medical/surgical coverage, which is 100% paid of reasonable and customary charges. Major medical expense coverage includes a $100 individual and $200 family deductible followed by a 10% employee co-payment. A third party administrator, American Administrative Group of Lisle, Illinois, reviews all claims, which are then paid by OME-RESA Health Benefits. The District purchases stop-loss coverage of $100,000 per individual from ING through OME-RESA Health Benefits. There is an internal pool from $35,000 to $249,999 for stop loss coverage. The District also provides dental and vision coverage on this self-insured basis. The medical premiums are paid by the District at a rate of 90% for all employees. Dental and vision premiums are paid 100% by the District. The premium is paid by the fund that paid the salary for the employee and is based on historical cost information.

Total required monthly premiums for coverage are as follows:

	Family	Individual
Medical/Surgical	$ 1,212.79	$ 528.65
Dental	77.64	77.64
Vision	24.16	8.90

The liability for unpaid claims of $325,133 reported in the internal service fund at June 30, 2008, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Fiscal Year	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007-2008	$ 236,998	$ 1,295,898	$ (1,207,763)	$ 325,133
2006-2007	231,560	1,103,158	(1,097,720)	236,998

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - 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 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $143,205, $155,066 and $154,702, respectively; 43.67 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, 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 recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

NOTE 12 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were $718,083, $718,684 and $697,369, respectively; 83.47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were $15,088 made by the District and $20,700 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $97,149, $83,485 and $86,013, respectively; 43.67 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were $10,318, $10,545 and $12,313, respectively; 43.67 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $55,237, $55,283 and $53,644, respectively; 83.47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	General fund
Budget basis	$ 200,016
Net adjustment for revenue accruals	(818,485)
Net adjustment for expenditure accruals	124,057
Net adjustment for other financing sources/uses	(29,184)
Adjustment for encumbrances	23,888
GAAP basis	$ (499,708)

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside balance as of June 30, 2007	$ 99,976	$ 24,549
Current year set-aside requirement	247,208	247,208
Qualifying disbursements	(280,493)	(220,321)
Total	$ 66,691	$ 51,436
Balance carried forward to FY 2009	$ 66,691	$ 51,346

A schedule of the restricted assets at June 30, 2008 follows:

Amount restricted for textbooks	$ 66,691
Amount restricted for capital acquisition	51,436
Total restricted assets	$ 118,127

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through Ohio Department of Education:					
Food Distribution Program	10.550		$ 28,137		$ 28,137
Nutrition Cluster:					
National School Breakfast Program	10.553	$ 12,503		$ 12,503	
National School Lunch Program	10.555	163,221		163,221	
Total Nutrition Cluster		175,724		175,724	
Total U.S. Department of Agriculture		**175,724**	**28,137**	**175,724**	**28,137**
U.S. DEPARTMENT OF EDUCATION					
Passed Through Ohio Department of Education:					
Special Education Cluster:					
Special Education Grants to States	84.027	428,551		382,604	
Title I, Grants to Local Educational Agencies	84.010	121,050		108,735	
Title II-A, Improving Teacher Quality State Grants	84.367	50,543		45,730	
Title IV-A, Drug Free Schools Grant	84.186	4,418		4,701	
Title V, Innovative Educational Program Strategies	84.298	3,788		3,788	
Title II-D, Education Technology State Grants	84.318	1,013		1,013	
Total U.S. Department of Education		**609,363**		**546,571**	
Total		**$ 785,087**	**$ 28,137**	**$ 722,295**	**$ 28,137**

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

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008

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 – FOOD DISTRIBUTION PROGRAM

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 non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

NOTE C – CHILD NUTRITION CLUSTER

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*

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

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 Tuscarawas Valley Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2009. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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www.auditor.state.oh.us

We noted certain internal control matters that we reported to the District's management in a separate letter dated January 30, 2009.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated January 30, 2009.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 30, 2009

Mary Taylor, CPA
Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Tuscarawas Valley Local School District, Tuscarawas County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

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Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 30, 2009

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Mary Taylor, CPA
Auditor of State

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 5, 2009

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