



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P. O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**Teays Valley Local School District  
General Purpose Financial Statements  
Year Ended June 30, 2002**

FINANCIAL SECTION

Report of Independent Accountants .....	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups .....	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances .....	5
- All Governmental Fund Types and Expendable Trust Fund	
Combined Statement of Revenues, Expenditures and Changes in Fund Balances .....	6
- Budget and Actual - All Governmental Fund Types and Expendable Trust Fund	
Combined Statement of Revenues, Expenses and Changes in Fund Equity .....	9
- All Proprietary Fund Types and Non-Expendable Trust Fund	
Combined Statement of Cash Flows .....	10
- All Proprietary Fund Types and Non-Expendable Trust Fund	
Notes to the General Purpose Financial Statements .....	11
Schedule of Federal Awards Receipts and Expenditures.....	39
Note to the Schedule of Federal Awards Receipts and Expenditures.....	40
Report on Compliance and Internal Control.....	41
Required by <i>Government Auditing Standards</i>	
Report on Compliance with Requirements Applicable to.....	43
Major Federal Programs and Internal Controls over Compliance in Accordance with OMB Circular A-133	
Schedule of Findings.....	45

**THIS PAGE INTENTIONALLY LEFT BLANK**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

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

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

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Teays Valley Local School District, Pickaway County, Ohio as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**JIM PETRO**  
Auditor of State

December 9, 2002

**Teays Valley Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals	
	Special	Debt	Capital	Enterprise	Internal	Trust and	General	General	2002	
	General	Revenue	Service		Project	Service	Agency	Fixed Assets	Long Term Debt	(Memorandum)
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$3,583,025	267,158	1,494,928	26,113,528	324,906	151,826	210,581	0	0	\$32,145,952
Cash with Fiscal Agent	0	0	0	0	0	70,419	0	0	0	70,419
Restricted Cash	77,453	0	0	0	0	0	0	0	0	77,453
Taxes Receivable	5,316,463	0	1,461,434	0	0	0	0	0	0	6,777,897
Interfund Receivable	268,427	0	0	0	0	0	0	0	0	268,427
Due from Other Funds	0	0	0	0	0	0	272,994	0	0	272,994
Intergovernmental Receivables	20,172	51,779	636	0	20,819	28,268	0	0	0	121,674
Accounts Receivable	31,861	361	2,143	84,315	591	0	590	0	0	119,861
Supplies Inventory/Resale	38,072	0	0	0	12,673	0	0	0	0	50,745
Net Property, Plant & Equipment	0	0	0	0	153,504	1,284	0	25,687,398	0	25,842,186
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	1,492,413	1,492,413
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	23,561,435	23,561,435
<b>Total Assets and Other Debits</b>	<b>\$9,335,473</b>	<b>319,298</b>	<b>2,959,141</b>	<b>26,197,843</b>	<b>512,493</b>	<b>251,797</b>	<b>484,165</b>	<b>25,687,398</b>	<b>25,053,848</b>	<b>\$90,801,456</b>

(Continued)

**Teays Valley Local School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups. (Continued)**  
**June 30, 2002**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals	
	Special	Debt	Capital	Enterprise	Internal	Trust and	General	General	(Memorandum)	
	General	Revenue	Service		Project	Service	Agency	Fixed Assets	Long Term Debt	(Only)
<b>Liabilities:</b>										
Interfund Payable	\$0	14,927	0	0	0	253,500	0	0	0	\$268,427
Due to Other Funds	244,835	9,243	0	0	18,916	0	0	0	0	272,994
Intergovernmental Payable	9,562	464	0	0	469	0	421,075	0	98,734	530,304
Accounts Payable	161,138	8,700	5,293	0	131	3,204	408	0	0	178,874
Claims Payable	0	0	0	0	0	252,149	0	0	0	252,149
Accrued Salaries and Benefits	1,397,976	81,823	0	0	50,654	0	0	0	0	1,530,453
Contracts Payable	0	0	0	2,988,683	0	0	0	0	0	2,988,683
Retainage Payable	0	0	0	131,027	0	0	0	0	0	131,027
Deferred Revenue	3,533,146	0	1,110,663	0	0	0	0	0	0	4,643,809
Due to Others	0	0	0	0	0	0	47,521	0	0	47,521
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	23,055,286	23,055,286
Leases Payable	0	0	0	0	0	0	0	0	157,905	157,905
Compensated Absences Payable	22,150	0	0	0	32,479	0	0	0	1,741,923	1,796,552
<b>Total Liabilities</b>	<b>5,368,807</b>	<b>115,157</b>	<b>1,115,956</b>	<b>3,119,710</b>	<b>102,649</b>	<b>508,853</b>	<b>469,004</b>	<b>0</b>	<b>25,053,848</b>	<b>35,853,984</b>
<b>Fund Equity and Other Credits:</b>										
Investment in General Fixed Assets	0	0	0	0	0	0	0	25,687,398	0	25,687,398
Contributed Capital	0	0	0	0	147,342	0	0	0	0	147,342
Retained Earnings/	0	0	0	0	262,502	(257,056)	0	0	0	5,446
<b>Fund Balances:</b>										
Reserved For Inventory	38,072	0	0	0	0	0	0	0	0	38,072
Reserved for Encumbrances	978,564	30,241	0	22,244,624	0	0	980	0	0	23,254,409
Reserved for Contributions	0	0	0	0	0	0	10,000	0	0	10,000
Reserved for Budget Stabilization	77,453	0	0	0	0	0	0	0	0	77,453
Reserved for Future Appropriation	1,073,058	0	350,772	0	0	0	0	0	0	1,423,830
Unreserved Fund Balance	1,799,519	173,900	1,492,413	833,509	0	0	4,181	0	0	4,303,522
<b>Total Fund Equity</b>	<b>3,966,666</b>	<b>204,141</b>	<b>1,843,185</b>	<b>23,078,133</b>	<b>0</b>	<b>0</b>	<b>14,855</b>	<b>0</b>	<b>0</b>	<b>29,106,980</b>
<b>Total Fund Balances/Retained Earnings and Other Credits</b>	<b>3,966,666</b>	<b>204,141</b>	<b>1,843,185</b>	<b>23,078,133</b>	<b>409,844</b>	<b>(257,056)</b>	<b>15,161</b>	<b>25,687,398</b>	<b>0</b>	<b>54,972,008</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$9,335,473</b>	<b>319,298</b>	<b>2,959,141</b>	<b>26,197,843</b>	<b>512,493</b>	<b>251,797</b>	<b>484,165</b>	<b>25,687,398</b>	<b>25,053,848</b>	<b>\$90,801,456</b>

See Accompanying Notes to the General Purpose Financial Statements

**Teays Valley Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**All Governmental Fund Types and Expendable Trust Fund**  
**Year Ended June 30, 2002**

	General	Governmental Fund Types Special Revenue	Debt Service	Capital Project	Fiduciary Fund Types Expendable Trust	Totals (Memorandum) (Only)
<b>REVENUES:</b>						
Taxes	\$7,726,019	0	1,682,738	0	0	\$9,408,757
Tuition	36,224	0	0	0	0	36,224
Earnings on Investments	216,329	0	28,450	1,103,013	0	1,347,792
Extracurricular Activities	0	284,518	0	0	0	284,518
Classroom Materials and Fees	61,232	0	0	0	0	61,232
Miscellaneous	27,557	21,895	0	0	25,000	25,000
Local Restricted Grants-in-Aid	0	2,026	0	0	0	2,026
Revenue in Lieu of Taxes	983	0	260	0	0	1,243
State Unrestricted Grants-in-Aid	10,723,745	12,664	152,661	0	0	10,889,070
State Restricted Grants-in-Aid	374,642	128,289	0	6,149,805	0	6,652,736
Federal Unrestricted Grants -in-Aid	62,285	0	0	0	0	62,285
Federal Restricted Grants-in-Aid	0	709,157	0	0	0	709,157
<b>Total Revenue</b>	<b>19,229,016</b>	<b>1,158,549</b>	<b>1,864,109</b>	<b>7,252,818</b>	<b>25,000</b>	<b>29,529,492</b>
<b>EXPENDITURES:</b>						
Regular Instruction	8,470,975	268,960	0	32,072	24,722	8,796,729
Special Instruction	1,372,107	328,439	0	0	0	1,700,546
Vocational Instruction	628,990	0	0	0	0	628,990
Adult/Continuing Instruction	1,970	0	0	0	0	1,970
Support Services-Pupils	593,040	46,685	0	0	0	639,725
Support Services-Instructional Staff	673,834	171,434	0	4,691	0	849,959
Support Services-Board of Education	167,750	26	0	0	0	167,776
Support Services-Administration	1,508,468	116,047	0	1,658	0	1,626,173
Support Services-Fiscal Services	282,369	0	23,286	(11,566)	0	294,089
Support Services-Business	116,087	3,945	0	0	0	120,032
Support Services-Operation & Maintenance	1,485,813	4,637	0	37,454	0	1,527,904
Support Services-Pupil Transportation	920,217	1,318	0	0	0	921,535
Support Services-Central	19,421	27,368	0	0	0	46,789
Non-Instr. Operations-Food Services	10	0	0	0	0	10
Academic & Subject Oriented Activities	29,471	2,341	0	0	0	31,812
Sports Oriented Activities	227,319	159,596	0	0	0	386,915
Co-Curricular Activities	9,447	0	0	0	0	9,447
Architecture & Engineering	0	0	0	1,241,404	0	1,241,404
Building Acquisition & Construction	26,083	0	0	9,351,538	0	9,377,621
Building Improvement	6,300	0	0	0	0	6,300
Repayment of Debt	0	0	1,679,495	0	0	1,679,495
<b>Total Expenditures</b>	<b>16,539,671</b>	<b>1,130,796</b>	<b>1,702,781</b>	<b>10,657,251</b>	<b>24,722</b>	<b>30,055,221</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,689,345	27,753	161,328	(3,404,433)	278	(525,729)
<b>Other Financing Sources and Uses:</b>						
<b>Other Financing Sources</b>						
Sale & Loss of Assets	4,408	0	0	0	0	4,408
Transfers-In	17,538	4,000	0	2,200,174	0	2,221,712
Refund of Prior Years Expenditures	4,428	0	0	0	0	4,428
<b>Other Financing Uses</b>						
Transfers-Out	(2,204,761)	(17,538)	0	0	0	(2,222,299)
Refund of Prior Years Receipts	(63)	(13)	0	(100)	0	(176)
<b>Net Other Financing Sources and Uses</b>	<b>(2,178,450)</b>	<b>(13,551)</b>	<b>0</b>	<b>2,200,074</b>	<b>0</b>	<b>(8,073)</b>
Excess (Deficiency) of Revenues and Other Sources Over Expenditure						
Disbursement and Other Uses	510,895	14,202	161,328	(1,204,359)	278	(517,656)
Increase in Inventory	(5,477)	0	0	0	0	(5,477)
<b>Beginning Fund Balance</b>	<b>3,461,248</b>	<b>189,939</b>	<b>1,681,857</b>	<b>24,282,492</b>	<b>4,577</b>	<b>29,620,113</b>
<b>Ending Fund Balance</b>	<b>\$3,966,666</b>	<b>204,141</b>	<b>1,843,185</b>	<b>23,078,133</b>	<b>4,855</b>	<b>\$29,096,980</b>

See Accompanying Notes to the General Purpose Financial Statements

**Teays Valley Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Basis)**  
**All Governmental Fund Types and Expendable Trust Fund**  
**Year Ended June 30, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	6,179,863	6,179,863	0	0	0	\$0
Tuition	35,284	35,284	0	0	0	0
Earnings on Investment	216,781	216,781	0	0	0	0
Extracurricular Activities	0	0	0	284,273	284,273	0
Classroom Materials and Fees	60,920	60,920	0	0	0	0
Miscellaneous	27,751	27,751	0	22,012	22,012	0
Local Restricted Grants-in-Aid	0	0	0	2,026	2,026	0
Revenue in Lieu of Taxes	983	983	0	0	0	0
State Unrestricted Grants-in-Aid	10,721,839	10,721,839	0	12,664	12,664	0
State Restricted Grants-in-Aid	374,642	374,642	0	127,789	127,789	0
Federal Unrestricted Grants-in-Aid	48,321	48,321	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	695,788	695,788	0
<b>Total Revenue</b>	<b>17,666,384</b>	<b>17,666,384</b>	<b>0</b>	<b>1,144,552</b>	<b>1,144,552</b>	<b>0</b>
<b>Expenditures:</b>						
Regular Instruction	8,938,772	8,725,249	213,523	332,231	268,742	63,489
Special Instruction	1,633,838	1,521,109	112,729	375,398	325,196	50,202
Vocational Instruction	649,648	639,928	9,720	0	0	0
Adult/ Continuing Instruction	2,291	1,970	321	0	0	0
Support Services-Pupils	668,607	653,407	15,200	58,686	47,364	11,322
Support Services-Instructional Staff	950,868	739,913	210,955	214,375	171,515	42,860
Support Services-Board of Education	201,137	172,926	28,211	26	26	0
Support Services-Administration	1,593,607	1,539,952	53,655	138,926	112,306	26,620
Fiscal Services	288,685	275,597	13,088	0	0	0
Support Services-Business	134,925	129,443	5,482	4,485	3,945	540
Operation & Maintenance-Plant	2,168,695	1,696,288	472,407	12,970	12,970	0
Support Services-Transportation	1,241,007	1,154,669	86,338	5,263	877	4,386
Support Services-Central	21,669	21,668	1	35,696	27,553	8,143
Food Services Operations	222	0	222	0	0	0
Academic & Subject Oriented	31,899	29,384	2,515	4,700	2,355	2,345
Sports Oriented	235,768	228,553	7,215	177,144	167,938	9,206
Co-Curricular Activities	9,440	9,437	3	0	0	0
Building & Site Improvement	45,621	45,383	238	0	0	0
Repayment of Debt	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>18,816,699</b>	<b>17,584,876</b>	<b>1,231,823</b>	<b>1,359,900</b>	<b>1,140,787</b>	<b>219,113</b>
Excess of Revenue Over (Under) Expenditures	(1,150,315)	81,508	1,231,823	(215,348)	3,765	219,113
<b>Other Financing Sources (Uses):</b>						
Sale & Loss of Assets	3,600	4,408	808	0	0	0
Transfers-In	0	17,538	17,538	4,000	4,000	0
Advances-In	0	92,166	92,166	0	46,857	46,857
Refund of Prior Years Expenditures	3,400	4,839	1,439	0	0	0
Transfers-Out	(2,204,761)	(2,204,761)	0	(17,984)	(17,538)	446
Advances-Out	0	(350,593)	(350,593)	(14,000)	(41,929)	(27,929)
Refund of Prior Year Receipts	(1,000)	(63)	937	(13)	(13)	0
Pass Through Payment	0	0	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>(2,198,761)</b>	<b>(2,436,466)</b>	<b>(237,705)</b>	<b>(27,997)</b>	<b>(8,623)</b>	<b>19,374</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,349,076)	(2,354,958)	994,118	(243,345)	(4,858)	238,487
Beginning Fund Balance	3,905,813	3,905,813	0	209,910	209,910	0
Prior Year Carry Over Encumbrances	968,360	968,360	0	20,836	20,836	0
<b>Ending Fund Balance</b>	<b>\$1,525,097</b>	<b>2,519,215</b>	<b>994,118</b>	<b>(12,599)</b>	<b>225,888</b>	<b>\$238,487</b>

(Continued)

**Teays Valley Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Basis)**  
**All Governmental Fund Types and Expendable Trust Fund- Continued**  
**Year Ended June 30, 2002**

	Debt Service Fund			Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$1,406,141	1,406,141	0	0	0	\$0
Tuition	0	0	0	0	0	0
Earnings on Investment	28,879	28,879	0	1,127,579	1,127,579	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials and Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Local Restricted Grants-in-Aid	0	0	0	0	0	0
Revenue in Lieu of Taxes	260	260	0	0	0	0
State Unrestricted Grants-in-Aid	152,032	152,032	0	0	0	0
State Restricted Grants-in-Aid	0	0	0	6,149,805	6,149,805	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
<b>Total Revenue</b>	<b>1,587,312</b>	<b>1,587,312</b>	<b>0</b>	<b>7,277,384</b>	<b>7,277,384</b>	<b>0</b>
<b>Expenditures:</b>						
Regular Instruction	0	0	0	532,072	62,015	470,057
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Adult/ Continuing Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	88,472	88,472	0
Support Services-Instructional Staff	0	0	0	4,714	4,714	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	1,658	1,658	0
Fiscal Services	60,000	19,089	40,911	51,212	(5,490)	56,702
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	40,965	37,506	3,459
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Food Services Operations	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Building & Site Improvement	0	0	0	40,527,253	32,782,443	7,744,810
Repayment of Debt	1,684,625	1,679,495	5,130	0	0	0
<b>Total Expenditures</b>	<b>1,744,625</b>	<b>1,698,584</b>	<b>46,041</b>	<b>41,246,346</b>	<b>32,971,318</b>	<b>8,275,028</b>
Excess of Revenue Over (Under) Expenditures	(157,313)	(111,272)	46,041	(33,968,962)	(25,693,934)	8,275,028
<b>Other Financing Sources (Uses):</b>						
Sale ^ Loss of Assets	0	0	0	0	0	0
Transfers-In	0	0	0	2,200,174	2,200,174	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Expenditures	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Refund of Prior Year Receipts	0	0	0	(100)	(100)	0
Pass Through Payment	0	0	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,200,074</b>	<b>2,200,074</b>	<b>0</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(157,313)	(111,272)	46,041	(31,768,888)	(23,493,860)	8,275,028
Beginning Fund Balance	1,606,201	1,606,201	0	21,665,077	21,665,077	0
Prior Year Carry Over Encumbrances	0	0	0	2,730,651	2,730,651	0
<b>Ending Fund Balance</b>	<b>\$1,448,888</b>	<b>1,494,929</b>	<b>46,041</b>	<b>(7,373,160)</b>	<b>901,868</b>	<b>\$8,275,028</b>

(Continued)

**Teays Valley Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Basis)**  
**All Governmental Fund Types and Expendable Trust Fund - Continued**  
**Year Ended June 30, 2002**

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$0	0	0	7,586,004	7,586,004	\$0
Tuition	0	0	0	35,284	35,284	0
Earnings on Investment	0	0	0	1,373,239	1,373,239	0
Extracurricular Activities	0	0	0	284,273	284,273	0
Classroom Materials and Fees	0	0	0	60,920	60,920	0
Miscellaneous	25,000	25,000	0	74,763	74,763	0
Local Restricted Grants-in-Aid	0	0	0	2,026	2,026	0
Revenue in Lieu of Taxes	0	0	0	1,243	1,243	0
State Unrestricted Grants-in-Aid	0	0	0	10,886,535	10,886,535	0
State Restricted Grants-in-Aid	0	0	0	6,652,236	6,652,236	0
Federal Unrestricted Grants-in-Aid	0	0	0	48,321	48,321	0
Federal Restricted Grants-in-Aid	0	0	0	695,788	695,788	0
<b>Total Revenue</b>	<b>25,000</b>	<b>25,000</b>	<b>0</b>	<b>27,700,632</b>	<b>27,700,632</b>	<b>0</b>
<b>Expenditures:</b>						
Regular Instruction	20,707	16,833	3,874	9,823,782	9,072,839	750,943
Special Instruction	0	0	0	2,009,236	1,846,305	162,931
Vocational Instruction	0	0	0	649,648	639,928	9,720
Adult/ Continuing Instruction	0	0	0	2,291	1,970	321
Support Services-Pupils	0	0	0	815,765	789,243	26,522
Support Services-Instructional Staff	0	0	0	1,169,957	916,142	253,815
Support Services-Board of Education	0	0	0	201,163	172,952	28,211
Support Services-Administration	0	0	0	1,734,191	1,653,916	80,275
Fiscal Services	0	0	0	399,897	289,196	110,701
Support Services-Business	0	0	0	139,410	133,388	6,022
Operation & Maintenance-Plant	0	0	0	2,222,630	1,746,764	475,866
Support Services-Transportation	0	0	0	1,246,270	1,155,546	90,724
Support Services-Central	0	0	0	57,365	49,221	8,144
Food Services Operations	0	0	0	222	0	222
Academic & Subject Oriented	0	0	0	36,599	31,739	4,860
Sports Oriented	0	0	0	412,912	396,491	16,421
Co-Curricular Activities	0	0	0	9,440	9,437	3
Building & Site Improvement	0	0	0	40,572,874	32,827,826	7,745,048
Repayment of Debt	0	0	0	1,684,625	1,679,495	5,130
<b>Total Expenditures</b>	<b>20,707</b>	<b>16,833</b>	<b>3,874</b>	<b>63,188,277</b>	<b>53,412,398</b>	<b>9,775,879</b>
Excess of Revenue Over (Under) Expenditures	4,293	8,167	3,874	(35,487,645)	(25,711,766)	9,775,879
<b>Other Financing Sources (Uses):</b>						
Sale & Loss of Assets	0	0	0	3,600	4,408	808
Transfers-In	0	0	0	2,204,174	2,221,712	17,538
Advances-In	0	0	0	0	139,023	139,023
Refund of Prior Years Expenditures	0	0	0	3,400	4,839	1,439
Transfers-Out	0	0	0	(2,222,745)	(2,222,299)	446
Advances-Out	0	0	0	(14,000)	(392,522)	(378,522)
Refund of Prior Year Receipts	0	0	0	(1,113)	(176)	937
Pass Through Payment	(8,870)	(8,870)	0	(8,870)	(8,870)	0
<b>Total Other Sources (Uses)</b>	<b>(8,870)</b>	<b>(8,870)</b>	<b>0</b>	<b>(35,554)</b>	<b>(253,885)</b>	<b>(218,331)</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,577)	(703)	3,874	(35,523,199)	(25,965,651)	9,557,548
Beginning Fund Balance	4,390	4,390	0	27,391,391	27,391,391	0
Prior Year Carry Over Encumbrances	103	103	0	3,719,950	3,719,950	0
<b>Ending Fund Balance</b>	<b>\$(84)</b>	<b>3,790</b>	<b>3,874</b>	<b>(4,411,858)</b>	<b>5,145,690</b>	<b>\$9,557,548</b>

See Accompanying Notes to the General Purpose Financial Statement

**Teays Valley Local School District**  
**Combined Statement of Revenues, Expenses, and Changes in Fund Equity**  
**All Proprietary Fund Types and Non-Expendable Trust Fund**  
**Year Ended June 30, 2002**

	Proprietary Fund Types			Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Fund	Non-Expendable Trust Funds	
Operating Revenues:				
Food Service	\$541,812	0	0	\$541,812
Classroom Materials & Fees	7,566	0	0	7,566
Charges for Services	0	1,676,972	0	1,676,972
Earning on Investments	0	0	476	476
Miscellaneous	917	0	0	917
Total Operating Revenue	<u>550,295</u>	<u>1,676,972</u>	<u>476</u>	<u>2,227,743</u>
Operating Expenses:				
Personal Services - Salary	321,116	0	0	321,116
Employee Benefits	111,049	160,788	0	271,837
Purchased Services	29,674	1,691,549	0	1,721,223
Supplies and Materials	310,138	0	0	310,138
Other Objects	790	0	686	1,476
Depreciation	5,171	259	0	5,430
Total Operating Expenses	<u>777,938</u>	<u>1,852,596</u>	<u>686</u>	<u>2,631,220</u>
Operating Loss	(227,643)	(175,624)	(210)	(403,477)
Non-Operating Revenues:				
Earnings on Investments	7,115			7,115
State Restricted Grants-In-Aid	9,439	0	0	9,439
Federal Unrestricted Grants-in-Aid	187,341	0	0	187,341
Federal Donated Commodities	68,739	0	0	68,739
Federal Restricted Grants-In-Aid	9,568	0	0	9,568
Refund of Prior Years Expense	(5)	0	0	(5)
Total Non-Operating Revenues	<u>282,197</u>	<u>0</u>	<u>0</u>	<u>282,197</u>
Net Income (Loss)	54,554	(175,624)	(210)	(121,280)
Beginning Retained Earnings /Fund Balance	355,290	(81,432)	10,516	284,374
Contributed Capital at End of Year	147,342			147,342
Retained Earnings/ Fund Balance at End of Year	262,502	(257,056)	10,306	15,752
Total Fund Equity	<u>\$409,844</u>	<u>(\$257,056)</u>	<u>\$10,306</u>	<u>\$163,094</u>

See Accompanying Notes to the General Purpose Financial Statements

**Teays Valley Local School District**  
**Combined Statement of Changes in Cash Flows**  
**All Proprietary Fund Types and Non-Expendable Trust Fund**  
**Year Ended June 30, 2002**

	Proprietary Fund Types			Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Fund	Non-Expendable Trust Fund	
Cash Flows from Operating Activities				
Operating Loss	\$(227,643)	(175,624)	(210)	\$(403,477)
Adjustment to Reconcile Operating Loss				
To Net Cash used in Operating Activities:				
Depreciation	5,171	259	0	5,430
Federal Commodities	68,739	0	0	68,739
Accounts Receivable	357	128	0	485
Intergovernmental Receivables	(159)	682	0	523
Inventory	(1,335)	0	0	(1,335)
Net Increases (Decreases) in Liabilities:				
Accounts Payable	131	766	0	897
Intergovernmental Payable	(22,803)	0	0	(22,803)
Due to Other Funds	18,707	253,500	0	272,207
Deferred Revenue	(6,104)	0	0	(6,104)
Claims Payable	0	(55,606)	0	(55,606)
Accrued Wages and Benefits	1,354	0	0	1,354
Compensated Absences	15,686	0	0	15,686
Total Adjustments	79,744	199,729	0	279,473
Net Cash Used in Operating Activities	(147,899)	24,105	(210)	(124,004)
Cash Flows from Noncapital Activities:				
Earnings on Investments	7,115	0	0	7,115
Operating Grants from State Sources	9,439	0	0	9,439
Operating Grants from Federal Sources	196,909	0	0	196,909
Other Net	(5)	0	0	(5)
Net Cash Provided by Noncapital Financing Sources	213,458	0	0	213,458
Net Increase in Cash & Cash Equivalents	65,559	24,105	(210)	89,454
Cash and Cash Equivalents at Beginning of Year	259,347	198,140	10,516	468,003
Cash and Cash Equivalents at End of Year	\$324,906	222,245	10,306	\$557,457
See Accompanying Notes to General Purpose Financial Statements				

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 1. Summary of Significant Accounting Policies**

The financial statements of the Teays Valley Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.0 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2001, was 2,932. The District employed 9 administrative and supervisory personnel, 184 certified employees and 85 non-certificated employees. The District is supervised by the Pickaway County Educational Service Center, a separate entity.

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

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 1. Summary of Significant Accounting Policies, (Continued)**

**A. Reporting Entity**

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

**B. Fund Accounting**

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

General Fund - This 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 to the District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting ( continued)**

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

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

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

Proprietary Fund Types

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

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

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting ( continued)**

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

**C. Measurement Focus/Basis of Accounting**

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. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied . (See Note 1J)

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus/Basis of Accounting (continued)**

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period.
  - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
  - b) Property taxes measurable as of June 30, 2002 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 2003 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

**D. Budget and Budgetary Accounting**

All governmental and proprietary fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its special reorganizational meeting in January.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Budget and Budgetary Accounting (continued)**

- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in July. The Annual Appropriation Resolution is usually adopted at a later regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

**E. Cash and Investments**

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. 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 Investments." During the fiscal year all investments were limited to certificates of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio).

Investments are reported at cost except for investments in STAR Ohio which are reported at fair value. Fair value is based on quoted market prices.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 1. Summary of Significant Accounting Policies (continued)**

**E. Cash and Investments (continued)**

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002. For the District, all investment earnings accrue to the General, Debt Service, Capital Projects, Internal Services, Proprietary and Non-expendable Trust Funds as authorized by board resolution. Interest income earned in fiscal year 2002 totaled \$1,355,383, of which \$1,139,054 was assigned to other funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with 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.

**F. Taxes Receivable**

The financial statements reflect taxes receivable as of June 30, 2002. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2002 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

**G. Inventories**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 1. Summary of Significant Accounting Policies (continued)**

**I. Fixed Assets**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets are disposed in accordance with District policy and guidelines. The capitalization threshold for governmental funds is \$150. No threshold is used for proprietary funds.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets of five to twenty years.

**J. Intergovernmental Revenue**

Intergovernmental revenues such as property taxes, grants, entitlements and donations are recognized in the fiscal year in which the 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 specific purpose; and expenditure requirements, in which the resources are provided by the District on a reimbursement basis. On the modified basis these transactions must also be available before it can be recognized.

Property tax advances, grants and donations are considered measurable and available under the modified approach.

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

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

The accrual basis of accounting is used for reporting purposes by the proprietary and nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 1. Summary of Significant Accounting Policies (continued)**

**J. Intergovernmental Revenue (continued)**

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

State Foundation Program

School Bus Funding

Special Revenue Funds

Educational Management Information Systems

Miscellaneous State Grants

Capital Projects Fund

School Net Grant

Exceptional Needs

Non-Reimbursable Grants:

Special Revenue Funds

Title I

Title VI

Drug Free Schools

Title VI-B

Title VI-R

Eisenhower Math/Science

DPIA

Data Communication Grant

Network Connectivity Grant

Preschool Grant

Miscellaneous Federal Grants

Reimbursable Grants:

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 62% of the District's operating revenue during the 2002 fiscal year.

**K. Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2002, the District had \$272,994 in "Due to/Due From Other Funds" and \$268,427 in "Interfund Receivables/Payables."

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 1. Summary of Significant Accounting Policies (continued)**

**L. Advances to Other Funds**

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2002 the District had no long-term interfund loans.

**M. Compensated Absences**

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

**N. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. After fiscal year 2000, capital contributions from other governments and private sources are recorded as revenues and reported as retained earnings.

Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end for contributions made prior to 2000. At June 30, 2002, the District had \$147,342 in contributed capital.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 1. Summary of Significant Accounting Policies (continued)**

**O. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**P. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

The District transferred \$587 from the General Fund to the Agency Fund. The transfer-in made to the Agency Fund is not reported in the accompanying financial statements and therefore transfers-in and transfers-out do not reconcile at June 30, 2002. Under generally accepted accounting principals the Agency Funds only report assets and liabilities at June 30, 2002.

**Q. Fund Balance Reserves**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for supplies inventory, encumbrances, contributions, budget stabilization, and future appropriations. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds. The reserve for contributions is the principal reserved for the non-expendable trust fund.

**R. Memorandum Only - Total Columns**

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

**S. Estimates**

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**Note 2. Budgetary Basis of Accounting**

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Type and Similar Fiduciary Fund Type				
	Governmental Fund Type				Fiduciary
	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust Fund
GAAP Basis	\$510,895	14,202	161,327	(1,204,359)	\$278
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenue Accruals	(1,562,632)	(13,997)	(276,796)	24,566	0
Due to Expenditures:					
Net Adjustments to Expenditure Accruals	(1,045,205)	(9,991)	4,197	(22,314,067)	(981)
Due to Other Sources/Uses	(258,016)	4,928	0	0	0
Budget Basis	<u>\$ (2,354,958)</u>	<u>(4,858)</u>	<u>(111,272)</u>	<u>(23,493,860)</u>	<u>\$(703)</u>

**Note 3. Accountability and Compliance**

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

**Note 4. Cash 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 the Board of Education has identified as not required for use within the current period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 4. Cash and Investments (Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or 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. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**Note 4. Cash and Investments (Continued)**

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

**Deposits:** At year end, the carrying amount of the District's deposits was \$15,439,894, the bank balance was \$16,439,878. Of the bank balance:

1. \$400,000 was covered by federal depository insurance; and
2. \$16,038,878 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**Investments:** The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category			Reported	Fair
	1	2	3	Amount	Value
STAR Ohio	N/A			\$16,783,496	\$16,783,496

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**Note 4. Cash and Investments (Continued)**

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 32,293,824	\$ 0
Investments:		
STAR Ohio	(16,783,496)	16,783,496
Change Cash	(15)	
Cash with Fiscal Agent	(70,419)	
GASB Statement No. 3	\$15,439,894	\$ 16,783,496

**Note 5. Property Tax**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Fairfield, Franklin and Pickaway County Auditors at 35% of appraised market value. All property is required to be revalued every six years. In Pickaway County, the last revaluation for the District was completed in 2002; an update is scheduled for 2005 and the next revaluation is scheduled for 2008. In Franklin County, the last revaluation was completed in 2000, with an update scheduled for 2003. In Fairfield County, the last revaluation for the District was completed in 2001 with an update scheduled for 2004. The next revaluation is scheduled for 2007. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31, (although the Pickaway County Auditor usually files for an extension in sending out tax bills so payment is then due by February 14th). If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value.

Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 5. Property Tax (Continued)**

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Fairfield, Franklin and Pickaway County Treasurers collect property tax on behalf of the District and the Fairfield, Franklin and Pickaway County Auditors remit the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2002 for operations was \$27.00 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2002 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$22,246,820
Real Property-Residential/Agricultural	177,497,240
Real Property-Public Utilities	229,780
Real Property-Minerals	7,940
Personal Property-General	12,209,935
Personal Property-Public Utilities	18,364,750
Total Assessed Value	<u><u>\$230,556,465</u></u>

**Note 6. Receivables**

Receivables at June 30, 2002 consisted of taxes, accounts (miscellaneous), 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 guarantee of Federal funds.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**Note 6. Receivables (Continued)**

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
CAFS Subsidy	\$18,245
Property Tax Rollbacks	1,927
Total General Fund	20,172
Special Revenue Funds:	
Federal Grant Payment	51,779
Total Special Revenue Funds	51,779
Debt Service Fund:	
Property Tax Rollbacks	636
Total Debt Service Fund	636
Proprietary Funds:	
Enterprise Fund	20,819
Internal Service Fund	28,268
Total Proprietary Fund	49,087
Grand Total	\$121,674

**Note 7. Income Tax**

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

**Note 8. Fixed Assets**

The following is a summary of the proprietary funds furniture and equipment at June 30, 2002:

	Enterprise Fund	Internal Service Fund
Furniture and Equipment	\$310,346	\$2,589
Less Accumulated Depreciation	(156,842)	(1,305)
Net Fixed Assets	\$153,504	\$1,284

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**Note 8. Fixed Assets (continued)**

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2002:

	General Fixed Assets June 30, 2001	Additions	Deletions	General Fixed Assets June 30, 2002
Land and Improvements	\$369,549	0	0	\$369,549
Buildings	9,944,714	0	526,799	10,471,513
Improvements	744,287	0	0	744,287
Furniture and Equipment	4,956,994	315,182	177,296	5,094,880
Vehicles	1,224,741	0	0	1,224,741
Construction in Progress	1,059,801	7,776,225	0	8,836,026
<b>Total General Fixed Assets</b>	<b>\$18,300,086</b>	<b>8,091,407</b>	<b>704,095</b>	<b>\$25,687,398</b>

**Note 9. Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$263,928, \$302,760 and \$238,836, respectively; 45.96 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$155,194 representing the unpaid contribution for fiscal year 2002, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 9. Defined Benefit Pension Plans (Continued)**

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2002 (the latest information available), 9.5 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,255,464, \$1,295,400 and \$1,209,216, respectively; 83.33 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$209,245 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**Note 10. Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001 (the latest information available), the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$403,542 for fiscal year 2002.

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 10. Postemployment Benefits (continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$184,227.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

**Note 11. Compensated Absences**

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

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

The classified personnel accumulate vacation based on the following schedule:

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

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 12. Risk Management**

**A. General Risk**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate.

The District maintains fleet insurance in the amount of \$2,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$33,858,491 and builder's risk coverage of \$34,271,993. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reduction of coverage from the prior years.

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

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**C. Health Insurance**

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**Note 12. Risk Management (Continued)**

The District utilizes a self insurance fund for the purpose of tracking the fund's balance as held by the fiscal agent. Amounts are paid into this fund from the General Fund, Lunchroom Fund, and certain Special Revenue Funds (Grants). Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on documentation obtained by the insurance carrier. A summary of changes in self-insurance claims for the years ended June 30, 2002 and June 30, 2001:

	June 30, 2002	June 30, 2001
Claim Liabilities at beginning of fiscal year	\$ 80,142	\$ 182,875
Incurred Claims	1,863,556	1,089,452
Claims Paid	(1,691,549)	(1,192,185)
Claim Liabilities at end of fiscal year	\$ 252,149	\$ 80,142

**Note 13. Notes and Long-Term Debt**

A summary of changes in long-term obligations for the year ended June 30, 2002, are as follows:

	Balance			Balance
	July 1, 2001	Additions	Deletions	June 30, 2002
Intergovernmental Payable	\$108,233	98,734	108,233	\$98,734
General Obligation Bonds Payable	23,530,286	0	475,000	23,055,286
Leases Payable	194,222	0	36,317	157,905
Compensated Absences Payable	1,425,070	316,853	0	1,741,923
	\$25,257,811	415,587	619,550	\$25,053,848

**General Obligation Bonds - 1984:** \$680,000 of the outstanding general obligation bonds relate to a project in 1984, for which bonds were issued for the purpose of constructing and equipping a new middle school and improving the site thereof. These bonds mature December 2004, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**Note 13. Notes and Long-Term Debt (Continued)**

The annual maturities of the general obligation bonds as of June 30, 2002, and related interest payments are as follows:

	Principal	Interest	Payment
FY 2003	\$170,000	38,781	\$208,781
FY 2004	170,000	23,268	193,268
FY 2005	170,000	7,756	177,756
	<u>\$510,000</u>	<u>69,805</u>	<u>\$579,805</u>

**General Obligation Bonds - 2000:** The District, in accordance with Ohio Revised Code, particularly Sections 133.01 to 133.48, inclusive and Section 133.09 thereof, sold General Obligation Bonds in the amount of \$22,850,286 on September 5, 2000 at an interest rate of 5.49 percent, for the purpose of school construction and improvements. These bonds will mature on December 1, 2027.

The annual maturities of the general obligation bonds as of June 30, 2002, and related interest payments are as follows:

	Principal	Interest	Payment
FY 2003	\$350,000	1,134,951	\$1,484,951
FY 2004	515,000	1,116,138	1,631,138
FY 2005	570,000	1,092,396	1,662,396
FY 2006	610,000	1,066,284	1,676,284
FY 2007	640,000	1,038,311	1,678,311
FY 2008 and after	19,860,286	15,119,351	34,979,637
	<u>\$22,545,286</u>	<u>20,567,431</u>	<u>\$43,112,717</u>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt limit is \$230,556. The voted debt limit at June 30, 2002 is \$20,750,082.

**Capital Leases:**

The District is making installment payments on six copiers. This equipment has been capitalized in the general fixed assets account group. This obligation has an outstanding balance of \$157,905 at June 30, 2002.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**Note 13. Notes and Long-Term Debt (Continued)**

**Capital Leases: (Continued)**

Payment for the installment purchase obligations as of June 30, 2002:

	Principal	Interest	Payment
FY 2003	\$39,330	11,212	\$50,542
FY 2004	42,595	7,947	50,542
FY 2005	46,130	4,412	50,542
FY 2006	29,850	833	30,683
	<u>\$157,905</u>	<u>24,404</u>	<u>\$182,309</u>

**Note 14. Interfund Transactions**

At June 30, 2002, the District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

	Due From	Due To
General Fund	\$0	\$244,835
Special Revenue Funds	0	9,243
Enterprise Funds	0	18,916
Agency Funds	272,994	
	<u>\$272,994</u>	<u>\$272,994</u>

  

	Receivables	Payables
General Fund	\$268,427	\$0
Special Revenue		14,927
Internal Service Fund	0	253,500
	<u>\$268,427</u>	<u>\$268,427</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**Note 15. Jointly Governed Organizations**

Metropolitan Educational Council - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District. During 2002, the District paid \$12,801 to MEC.

**Note 16. Segments of Enterprise Activities**

Key financial data for the District's Enterprise Funds for the year ended June 30, 2002, are as follows:

	Lunchroom Fund	Uniform School Supply Fund	Total
Operating Revenues	\$542,729	7,566	\$550,295
Operating Expenses:			
Depreciation	(5,171)	0	(5,171)
Other Expenses	(760,461)	(12,306)	(772,767)
Total Operating Expenses	<u>(765,632)</u>	<u>(12,306)</u>	<u>(777,938)</u>
Operating Loss	(222,903)	(4,740)	(227,643)
Non Operating Revenues and Expenses:			
State and Federal Grants	206,348	0	206,348
Federal Commodities	68,739	0	68,739
Earnings on Investments	7,110	0	7,110
Net Income	<u>\$59,294</u>	<u>(4,740)</u>	<u>\$54,554</u>
Contributed Capital	<u>\$147,342</u>	<u>0</u>	<u>\$147,342</u>
Net Working Capital	<u>\$255,584</u>	<u>756</u>	<u>\$256,340</u>
Total Assets	<u>\$511,606</u>	<u>887</u>	<u>\$512,493</u>
Retained Earnings	<u>\$261,746</u>	<u>756</u>	<u>\$262,502</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

---

**Note 17. Contingencies**

**A. Grants**

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

**Note 18. School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**Note 19. Statutory Reserves**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 2001	\$ 0	\$ 0	\$ 77,453	\$ 77,453
Current Year Set-Aside Requirement	348,823	348,823	0	697,646
Qualifying Disbursements	(701,709)	(6,664,656)	0	(7,366,365)
Total	\$ (352,886)	(6,315,833)	77,453	\$ (6,591,266)
Cash Balance Carried Forward to FY2003	\$ 0	\$ 0	\$ 77,453	
Amount Restricted for Budget Stabilization				\$ 77,453
Total Restricted Assets				\$ 77,453

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero. These amounts may be used to reduce the set-aside requirement of future years. Negative amounts, however, are not presented as being carried forward to the next fiscal year.

**Note 20. Fund Deficits**

Fund/Retained Earnings Deficits:

Fund balances and retained earnings at June 30, 2002, included the following fund deficits:

Title VI-R	\$(4,532)
Internal Service Insurance Fund	\$(257,056)

The deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
<b>Nutrition Cluster:</b>						
Food Distribution Program (See Note "B")		10.550	\$0	\$72,203	\$0	\$68,739
National School Breakfast	05-PU-2001	10.553	5,984	0	5,984	0
National School Lunch Program	LL-P4-2001	10.555	181,200	0	181,200	0
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<b>187,184</b>	<b>72,203</b>	<b>187,184</b>	<b>68,739</b>
<b>U.S. Department of Education</b>						
<i>Passed Through the Ohio Department of Education</i>						
<b>Special Education Cluster:</b>						
Special Education Grants to States	6B-SF 01P/00	84.027	241,587	0	212,509	0
Special Education Pre-School Grant	PG-S1 01/02	84.173	13,832	0	13,881	0
<b>Total Special Education Cluster</b>			<b>255,419</b>	<b>0</b>	<b>226,390</b>	<b>0</b>
Eisenhower Professional Development State Grants Title II, Part B	MS-S1-2001/2002	84.281	15,699	0	14,964	0
Innovative Educational Program Strategies	CR-S1-2001/2000/1999	84.298	13,819	0	14,863	0
Title I, Part A, ESEA	C1-S1-20012000	84.010	299,890	0	306,350	0
Safe and Drug Free Schools and Communities	DR-S1-2001	84.186	11,170	0	11,893	0
School Renovation		84.352	995	0	995	0
Goals 2000	G2-S2-01	84.276	10,000	0	4,674	0
Class Size Reduction	C2-S1-2001	84.298	71,470	0	80,067	0
<b>Total U.S. Department of Education</b>			<b>865,646</b>	<b>0</b>	<b>847,380</b>	<b>0</b>
<b>U.S. Department of Health and Human Services</b>						
<i>Passed through the Ohio Department of MR/DD</i>						
Medical Assistance Program (CAFS)		93.778	48,321	0	48,321	0
<b>Total Federal Awards</b>			<b>\$913,967</b>	<b>\$72,203</b>	<b>\$895,701</b>	<b>\$68,739</b>

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (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**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED  
BY GOVERNMENT AUDITING STANDARDS**

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

We have audited the general-purpose financial statements of Teays Valley Local School District, Pickaway County, Ohio (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 9, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the District in a separate letter dated December 9, 2002.

Board of Education  
Teays Valley Local School District  
Pickaway County  
Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**JIM PETRO**  
Auditor of State

December 9, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL  
PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Teays Valley Local School District  
Pickaway County  
385 Circleville Avenue  
Chillicothe, Ohio 43103

**Compliance**

We have audited the compliance of Teas Valley Local School District, Pickaway County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Teas Valley Local School District, Pickaway County, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

**Internal Control Over Compliance**

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

Board of Education  
Teays Valley Local School District  
Pickaway County  
Report on Compliance with Requirements Applicable  
to Major Federal Programs and Internal Control over  
Compliance in Accordance with *OMB Circular A-133*  
Page 2

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

**JIM PETRO**  
Auditor of State

December 9, 2002

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2002**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	<b>No</b>
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<b>Nutrition Cluster :CFDA # 10.550, 10.553,10.555 Special Education Cluster: Special Education Grants to States: CFDA # 84.027 Special Education Pre-School Grant CFDA # 84.173</b>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	<b>Type A: &gt; \$ 300,000 Type B: all others</b>
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	<b>Yes</b>

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**TEAYS VALLEY LOCAL SCHOOL DISTRICT**  
**PICKAWAY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 13, 2003**